Memorandum

To : SAC, HONOLULU (194A-NEW) (P) (GRA) Date 1/18/89

From : SA [redacted] RMC

Subject : PEDRO A. TENORIO, GOVERNOR,
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson,
ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted] BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS -
STATE LEVEL;
OO: HONOLULU

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In 1986, HN 206I-129 was opened to address an allegation that [redacted] received kickbacks from JAMES E. HAWKINS for [redacted] efforts in directing the $7,000,000 Economic Development Loan Fund (EDLF) to be invested with E.F. HUTTON. Investigation proved negative and the case was closed with the consent of then Guam U.S. Attorney (USA) DAVID T. WOOD. In 9/87, BARTON HARRY WATSON, III, a prisoner at the LEWISBURG FEDERAL PENITENTIARY, voluntarily provided information corroborating and expanding on information obtained previously by the FBI. WATSON provided information of a conspiracy on the part of himself, [redacted] LARRY HILLBLOOM, CNMI Governor PEDRO A. TENORIO, [redacted] and JAMES HAWKINS to use the $7,000,000 EDLF to provide income to the BOS, which is controlled by HILLBLOOM. In addition, WATSON stated that Governor TENORIO demanded that $10,000 be set up in an E.F. HUTTON account in his name with funds to be provided by E.F. HUTTON.

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WATSON also advised that in the course of obtaining the EDLF investment in E.F. HUTTON, he and [redacted] became quite friendly with HILLBLOOM. On one of their trips to Saipan, WATSON and [redacted] had an extremely candid meeting with HILLBLOOM and [redacted] The meeting related to Governor TENORIO.

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RMC:dap/po
(2)

SAC Authorizations EJD

aks 3/17/89

194A-121-1

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FBI - HONOLULU

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LHM & FD 761 due in 30 days

Basically, HILLBLOOM and [redacted], over a two-day period, taught WATSON and [redacted] how to do business and how business was done on Saipan in that political influence and support was directly tied to doing business in the islands; political influence is directly tied into businesses on Saipan; and favorable political influence required a piece of the action or cash compensation. b6 b7C

WATSON advised that he would fully cooperate with the FBI in further investigations. An attempt was made to have WATSON come to Guam and the CNMI for the purpose of wearing a body recorder, but the U.S. BUREAU OF PRISONS (USPOB) would not release WATSON without a subpoena. At that time, it was not considered practical to convene a Grand Jury on Saipan or Guam on this matter. FBI investigation was put in abeyance.

POSSIBLE MONEY LAUNDERING

WATSON advised that during one trip in which he and [redacted] went to Saipan they were informed by HILLBLOOM and executives of the BOS that they desired on behalf of the bank's clients to obtain investments and securities solely in the bank's name without divulging the identities of the investment clients and to hold the investments and securities outside of the United States. WATSON advised that the purpose and motivation would be to circumvent the United States income tax, to circumvent embarrassment of the considerable amount of wealth held by the Saipan clients, and to alleviate or hide the concept of constructive receipt. WATSON and [redacted] explored and were ultimately successful in booking this business activity for E.F. HUTTON, INC., through the London, England, and Geneva, Switzerland, offices. b6 b7C

On 1/10/89, U.S. CUSTOMS SAs [redacted] and [redacted] advised that they have an open case in which unsubstantiated allegations have been received that HILLBLOOM has been seen carrying large suitcases filled with $100 bills into the BOS. The BOS [redacted] because it is the bank's position that BOS is not regulated by U.S. laws. Approximately six months ago, SAs [redacted] and [redacted] interviewed a BRINKS guard at the Guam Airport. The guard was [redacted] a bank in California. The guard stated [redacted]. SAs [redacted] and [redacted] advised there are no U.S. Government reporting requirements for this money movement. [redacted] the money goes into the California bank. b3 b6 b7C b7E

HN 196A-NEW

On 1/11/89, Guam USA O'CONNOR made available his office's files regarding HILLBLOOM and DHL, a world-wide carrier service. HILLBLOOM is reputed to have a controlling interest in DHL. The files included a U.S. CUSTOMS investigative report disclosing that BOS has an office in San Francisco. It appeared to be "hidden" on the 21st floor of an office building accessible only through offices on the 20th floor. Offices on the 20th floor were all DHL-related.

SAs [redacted] and [redacted] also advised that within the past year, the IRS was on Guam and Saipan. The purpose of their visit was to review tax returns filed in the CNMI. Previously, they had contacted several California residents and asked for their Federal income tax returns. The California residents had told the IRS that they were actually CNMI residents and they filed their returns there. When the IRS requested the returns from the CNMI Government, they were told that the IRS had no jurisdiction in the CNMI. SAs [redacted] and [redacted] do not know the current state of the IRS matter. b6 b7C

Based upon the above, it seems entirely plausible that BOS is providing a money laundering service to unidentified individuals desiring to hide the source and size of their wealth. Cash not subject to [redacted] is deposited into BOS in Saipan. The cash is then sent to California and deposited into a U.S. bank [redacted] in the name of BOS. The funds may then be wired out of the country to London and Switzerland for E.F. HUTTON accounts in the name of BOS. All accounting for the true owners of the bank may be done at BOS in Saipan (or possibly BOS in San Francisco). The true owners could be avoiding scrutiny by the IRS by virtue of filing returns in the CNMI. b3

RECOMMENDATION:

O&A to SA [redacted]. b6 b7C

LEADS:

HONOLULU DIVISION

AT AGANA, GUAM

1. Submit LHM with FD-761 within 30 days of opening.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 11/26/85

[redacted] Attorney, BORJA & SALAS law firm, TORRES BUILDING, telephone [redacted], was telephonically contacted. b6 b7C

[redacted] was advised that the FEDERAL BUREAU OF INVESTIGATION (FBI) was looking into allegations of possible criminal violations on the part of employees of E.F. HUTTON. Therefore, it was requested that records pertaining to the investment of ECONOMIC DEVELOPMENT LOAN FUND (EDLF) into the E. F. HUTTON COMPANY be made available for review.

It was further requested that these records include the Board of Directors (BOD) meetings, in which there were discussions regarding the E. F. HUTTON proposal; representations made by E. F. HUTTON to the Board of Directors, EDLF; and finally BOD discussions pertaining to the withdrawal of EDLF funds from E. F. HUTTON.

It was further explained to [redacted] that the FBI was seeking only those minutes of the BOD meetings pertaining to discussions of the E. F. HUTTON proposal and not to any BOD discussions concerning the financial backgrounds of applicants.

Also, because of the fact that the BOD meetings regarding the E. F. HUTTON Proposal were widely reported by local newspapers, privacy considerations should not be attached to those BOD meetings. b6 b7C

[redacted] advised that he would research the matter, and would advise [redacted] of his findings.

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[redacted]
SSRA

Investigation on 11/12/85 at Susupe, Saipan CNMI File # Honolulu 206I-129

by SA [redacted] (TPE/bmr) Date dictated 11/19/85

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION
1

Date of transcription 11/26/85

[redacted], COMMONWEALTH DEVELOPMENT AUTHORITY (CDA) was contacted at his office in regards to his knowledge of the now defunct ECONOMIC DEVELOPMENT LOAN FUND. [redacted] furnished the following information:

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[redacted] advised that he was the [redacted] of EDLF for a period of approximately three years. [redacted] advised that he was [redacted] by the Board of Directors (BOD). According to [redacted] the [redacted] of EDLF was strictly an administrative position, handling the day to day business of the agency. The [redacted] had no voting power and was directly responsible to the BOD.

The BOD was composed of citizens appointed by the Governor representing various business interests in the community.

There were six voting members on the BOD, and three "ex officio" members, who represented various departments of the Commonwealth Government.

[redacted] advised that although the EDLF was a public agency authorized to loan public funds to qualified buyers, the minutes of the BOD are not considered to be public information. [redacted] advised that the minutes of the BOD are considered private because discussions often center around the private financial affairs of the applicants. Therefore, release of board minutes in this regard would be a violation of the applicant's right to privacy.

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According to [redacted] the members of the BOD of EDLF were:

[redacted]

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[redacted] advised that the above persons were also

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Investigation on 11/12/85 at Gualo Rai, Saipan File # Honolulu 206I-129

by SA [redacted] (TPE/bmr) Date dictated 11/18/85

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voting members of the BOD.

[redacted] advised that the following persons were "ex officio" members of the BOD and these persons were non voting members:

[redacted]

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[redacted] advised that EDLF and now, CDA, are legally represented by Attorney [redacted] telephone number [redacted].

[redacted] advised that he could not release any information, including minutes of the BOD, regarding EDLF investments with E. F. HUTTON, without proper authorization from either the BOD or upon the consent of EDLF's legal representative, [redacted].

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 11/25/85

[redacted], COMMONWEALTH DEVELOPMENT AUTHORITY (CDA), formerly known as the ECONOMIC DEVELOPMENT LOAN FUND (EDLF), upon the advice of counsel, [redacted] furnished xerox copies of the attached list of documents pertaining to:

1) BOD Meetings relating to discussions on E.F. HUTTON INVESTMENT PROPOSAL.

2. Correspondence between E.F. HUTTON and EDLF Board or its executive director.

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These documents were xeroxed at the Office of the Clerk of the District Court, and with the assistance of [redacted] CDA.

The documents referred to in the attached list are being maintained in the 1B section of this file.

194A-121-1X3

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FBI - HONOLULU

[redacted]

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Investigation on 11/13/85 at Gualo Rai, Saipan CNMI File # Honolulu 206I-129-14

by SA [redacted] (TPE/bmr) Date dictated 11/19/85

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Commonwealth of the Northern Mariana Islands
COMMONWEALTH DEVELOPMENT AUTHORITY
Wakin's Bldg., Gualo Rai, Tel. 7145/7146/6293
Saipan, CM 96950

MAILING ADDRESS:
P.O. BOX 2149
SAIPAN, CM 96950

November 15, 1985

[redacted]
Federal Bureau of Investigations
P. O. Box GU
Agana, Guam 96910

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Dear [redacted]:

Please acknowledge receipt of copies of the following documents produced from the E. F. Hutton files with this office:

I. Minutes of the Board of Directors meetings.

Date	Pages
August 8, 1984	Pages 1, 2, 3 & 4
October 10, 1984	last item on last page
November 5, 1984	all
November 7, 1984	all
December 20, 1984	pages 7, 8 & part of 9
April 17, 1985	pages 3, 4 & 5
May 7, 1985	page 1 and part of 2

II. Letters and attachments.

Date	To	From
July 25, 1985	[redacted]	[redacted] E. F. Hutton
May 17, 1985		[redacted] E. F. Hutton
January 9, 1985		Barton H. Watson, E. F. Hutton
November 7, 1984		Barton H. Watson & [redacted] E. F. Hutton
July 27, 1984		[redacted] Barton H. Watson, E. F. Hutton
July 25, 1984		[redacted] E. F. Hutton
July 11, 1984		[redacted] & Barton H. Watson, E. F. Hutton
May 17, 1984		[redacted] & Barton H. Watson, E. F. Hutton

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Date	To	From
June 10, 1985	[redacted]	[redacted]
May 17, 1985	Hutton Government Fund, Inc. EDLF Shareholder	[redacted]
March 27, 1985	[redacted]	Hutton Government Fund, Inc. [redacted] - Borja, Mitchell & Salas, Attorneys at Law
March 21, 1985	Borja, Mitchell & Salas	[redacted]
Sept. 20, 1984	[redacted]	[redacted] - Borja, Mitchell & Salas, Attorneys at Law
November 2, 1984	[redacted]	[redacted] Merrill Lynch, Pierce, Fenner & Smith, Inc.
August 21, 1984	[redacted]	[redacted] - Borja & Dela Cruz, Attorneys at Law
May 22, 1984	[redacted]	James Hawkins, President, The Commonwealth Pacific Corporation
November 5, 1984	[redacted]	[redacted]
May 6, 1985	EDLF Board of Directors (special meeting)	[redacted]
May 6, 1985	" " " " " " "	b6
April 12, 1985	EDLF Board of Dir.	[redacted] b7C
April 8, 1985	[redacted]	E. F. Hutton (CNMI Government)
December 17, 1984	EDLF Board of Dir.	Executive Director
November 5, 1984	" " " " " "	
October 10, 1984	" " " " " "	
Sept. 25, 1984	" " " " " "	

IV. Income and outgoing telexes.

May 16, 1985	[redacted]	EDLF
May 14, 1985	E. F. Hutton	" " " " " " "
May 5, 1985	" " "	" " " " " "
April 4, 1985	[redacted]	[redacted] E. F. Hutton
March 11, 1985	[redacted]	[redacted] E. F. Hutton
February 26, 1985	[redacted]	[redacted]
February 14, 1985	[redacted]	" " " " b6
February 19, 1985	[redacted]	[redacted] E. F. Hutton b7C
December 20, 1984	[redacted]	[redacted] & Barton Watson, E. F. Hutton
November 19, 1984	[redacted]	[redacted] E. F. Hutton

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Date	To	From
November 6, 1984	[redacted]	Barton H. Watson, E. F. Hutton
November 6, 1984	Barton H. Watson	[redacted]
October 24, 1984	[redacted]	E. F. Hutton
Sept. 27, 1984		Barton Watson, E. F. Hutton
December 21, 1984		[redacted]
	& Barton H. Watson	
December 19, 1984	" " "	" " "
October 16, 1984	" " "	" " "
Sept. 24, 1984	" " "	" " "
October 24, 1984	[redacted]	
	[redacted]	
Sept. 27, 1984	[redacted]	
	Barton H. Watson	
Sept. 20, 1984	" " "	Borja & Dela Cruz - Attorneys at Law
July 27, 1984	[redacted]	and Watson, E. F. Hutton
	[redacted]	

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V. 1. Certificate and Corporate Resolution dated April 29, 1985.

2. E. F. Hutton & Co., Inc. - Option Account Information/Agreement - Revised 2/83 dated November 18, 1984.

3. Trading Authorization Limited to Purchases and Sales of Securities and Commodities.

4. Customer's Agreement.

5. Certificate and Corporate Resolution dated January 16, 1985.

6. Investment Agreement Between E. F. Hutton & Co., Inc. and CNMI Economic Development Loan Fund.

7. Investment Agreement Proposal.

8. A Comprehensive Proposal for the CNMI.

9. Letter to [redacted] from Barton H. Watson III and [redacted] with the Proposal for Investment Management Services for the CNMI Economic Development Loan Fund.

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VI. Newspaper Clippings.

Pacific Daily News	May 9, 1985
Pacific Daily News - Focus	May 24, 1985
Pacific Daily News - entitled "EDLF to Withdraw Fund from Hutton.	
The Washington Post	May 13, 1985
" " "	May 12, 1985

VII. Statements of EDLF Accounts from E. F. Hutton for the months of October 1984 thru May 1985.

Thank you.

Sincerely,

[redacted]

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[redacted] CDA Board

Acknowledged by: [redacted]

11/15/85
Date

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 11/27/85

[redacted] COMMONWEALTH DEVELOPMENT AUTHORITY (CDA) was telephonically contacted at his office to schedule an appointment regarding his knowledge of the now defunct ECONOMIC DEVELOPMENT LOAN FUND (EDLF) Investment with the E. F. HUTTON COMPANY.

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[redacted] advised that although he was more than willing to cooperate in the investigation, he would not consent to an interview unless he was served with a subpoena. [redacted] stated that he felt it necessary to be subpoenaed so as to protect himself and his family from possible law suits or other recriminations.

[redacted] stated that he has to "look out for myself and my family." He stated that unless he was served with a subpoena he would not consent to an interview, not because he was afraid of telling the truth, but because he was afraid he might be sued.

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[redacted] advised that if he was subpoenaed this would serve as a protection for him, and that he would be more than willing to testify fully and truthfully, regarding EDLF's investments with E. F. HUTTON.

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Investigation on 11/14/85 at Susupe, Saipan CNMI File # Honolulu206I-129-13 15

by SA [redacted] (TPE/bmr) Date dictated 11/19/85

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/22/86

[redacted]

E.F. HUTTON, INC., 1825 I Street, N.W., Suite 1000, Washington, D.C. 20006, telephone # [redacted] was interviewed concerning the Economic Development Loan Fund (EDLF) of the Commonwealth of the North Mariana Islands (CNMI). Also present during the interview were [redacted], E.F. HUTTON, INC., One Battery Park Plaza, New York, New York, 10004, [redacted] and [redacted] E.F. HUTTON & COMPANY INC., 1825 I Street, N.W., Suite 1000, Washington, D.C. 20006, [redacted]. After being advised of the identity of the interviewing Special Agent, [redacted] voluntarily furnished the following information. b6 b7C

Sometime in the Spring of 1984, a MR. JAMES E. HAWKINS attended a meeting with [redacted] at E.F. HUTTON'S office in Washington, D.C. The meeting involved a prospective client and HAWKINS was there to assist the client. During the meeting, HAWKINS explained that he had some interest in the Pacific Islands and would like to talk to [redacted] about investments there. Approximately one week later, HAWKINS came in and explained to [redacted] that he has an office in Saipan, the capital of CNMI. HAWKINS explained that his business is to identify business opportunities in the Pacific Islands and to find U.S. business corporations to service those needs. [redacted] stated that he believes that the only office HAWKINS has is Post Office Box. The discussion evolved around various potential investors with E.F. HUTTON. b6 b7C

A few weeks later [redacted] had another meeting with HAWKINS and HAWKINS brought with him an individual by the name of [redacted] from [redacted] Maryland. [redacted] was a

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Investigation on 1/16/86 at Washington, D.C. File# 206I-232

HN 206I-129-21

by SA [redacted] HLS:erw Date dictated 1/16/86

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former representative to the UNITED STATES from CNMI. [redacted] did most of the talking and explained what the Economic Development Loan Fund (EDLF) was. It was established under the terms of the UNITED STATES-CNMI covenant and it was to administer funds set aside for loan program to assist in economic development of CNMI. [redacted] explained that they were interested in finding a place to invest the money so that it would earn a higher interest rate than banks were offering.

[redacted] stated that he and another E.F. HUTTON employee by the name of BARTON H. WATSON, developed a proposal and sent it to the Board of Directors of the EDLF. A period of time went by and [redacted] received no response from EDLF. During this period of time there were numerous contacts with HAWKINS and HAWKINS was supposedly in touch with EDLF. [redacted] stated that a short time later, he, WATSON, and HAWKINS made a trip to Micronesia for the purpose of making introductions to various businessmen in the islands. They met with several people out there including the President of the Marshall Islands, an individual by the name of [redacted], an architect in Guam, and they also met with several members of the EDLF including [redacted] and an individual who last name was [redacted] (no relation to [redacted]). At the meeting with EDLF members, [redacted] and [redacted] seemed extremely interested since E.F. HUTTON was offering rates far above what they could get at the bank of Guam. However, [redacted] stated that there appeared to be some misunderstanding of what E.F. HUTTON could do for the EDLF, so they returned to the UNITED STATES.

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After submitting a second proposal, [redacted], WATSON and another E.F. HUTTON employee by the name of [redacted], who had been designated as [redacted] of the E.F. HUTTON Fund for the EDLF, again returned to the Pacific and made a full presentation to the entire EDLF Board. At this meeting the Board voted to accept HUTTON's proposal. After returning to the UNITED STATES, [redacted] stated that they sent a management agreement to the EDLF for signatures. The EDLF sent approximately $900,000 as a first installment and $6,000,000.00 a short time later which E.F. HUTTON invested in Government secured money market funds. All this was done without a signed management agreement. However, a short

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time later, the EDLF returned a management agreement which was completely rewritten from what E.F. HUTTON had originally sent. It was apparent that there were problems at the EDLF in understanding the management proposal. At this point WATSON returned to the Pacific and attempted to explain in further detail what the management agreement involved. Also, [redacted] EDLF, (no relation to [redacted] was in Washington, D.C. to appear before Congress. E.F. HUTTON sent [redacted] to New York where he spoke with [redacted] who explained in great detail what E.F. HUTTON's proposal was and hoped that [redacted] understood enough to go forward with the management agreement. b6 b7C

Numerous telexes were sent back in forth between the EDLF and E.F. HUTTON, however, no management agreement was settled upon. [redacted] stated that E.F. HUTTON then offered an investment contract which would be managed out of their Bond Proceeds Department in New York, which would guarantee the EDLF a high interest rate. [redacted] and [redacted] were supposedly on their way to New York to sign a contract when [redacted] received a telex that the Board of Directors of the EDLF had voted to close the account. [redacted] stated that E.F. HUTTON decided at this point that there were some serious problems with the EDLF so they closed out the account and sent back approximately $7,000,000 which would have been principle plus interest on the original investment. b6 b7C

[redacted] stated that he has become quite friendly with [redacted] who still maintains an account with him at E.F. HUTTON. On occasions, they would discuss the EDLF and [redacted] was very discouraged since [redacted] seemed to frustrate any of his attempts to develop the fund. [redacted] stated that [redacted] was obviously a personal friend of HAWKINS and that [redacted] was also a friend, whom he believes HAWKINS knew through the U.S. Trust Territory of the Pacific Government. b6 b7C

[redacted] stated that he paid HAWKINS a total of $1500, with two E.F. HUTTON checks, as a finders fee or commission for finding the EDLF investment. While HAWKINS did not mention that he was going to split any fees with [redacted] stated that it would not surprise him if that happened. He stated the friendship between [redacted] and HAWKINS was close enough that they may have split the money. b6 b7C

When asked about WATSON and [redacted] involvement in the process, [redacted] stated that [redacted] would only have dealt directly with the EDLF on their trip to the Pacific. But that all the contacts would have been made through him [redacted]. b6 b7C

At this point [redacted] stated that BARTON WATSON was no longer employed at E.F. HUTTON, that he was terminated in January of 1985. The reason for the termination was that WATSON had outside business affiliations for which he did not receive prior approval from the E.F. HUTTON Legal Department. This was against policy and is the reason he was fired. [redacted] stated that they have not been able to find WATSON, although they believe he may be somewhere in the New York area. [redacted] also advised that he would put together a package of documents including copies of the two checks to HAWKINS, communications between E.F. HUTTON and the EDLF, and the personnel file of BARTON WATSON to assist in locating him. [redacted] advised that he would make these documents available to the FEDERAL BUREAU OF INVESTIGATION. b6 b7C

[redacted] furnished his title as Account Executive, E.F. HUTTON & COMPANY, 1825 I Street, N.W., Washington, D.C. He also furnished his date of birth as [redacted] at [redacted] and Social Security Account Number as [redacted]. b6 b7C

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1 Date of transcription 2/3/86

[redacted], E.F. HUTTON & COMPANY, INCORPORATED, 1 Battery Park Plaza, New York, New York, 10004, made available the following documents; Monthly account statements for the Economic Development Loan Fund (EDLF) for the Commonwealth of the Northern Mariana Islands, Correspondence between [redacted] and representatives of the EDLF, and BARTON WATSON's personnel folder. b6 b7C

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194A-121-1X6

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SSRA

Investigation on 1/24/86 at Washington, D.C. File # 206I-232
HN 206I-129-J2

by SA [redacted] HLS:dlj Date dictated 1/24/86 b6 b7C

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/7/86

JAMES E. HAWKINS, 11611 Vantage Hill Road, Building 11, Apartment 11B, Reston, Virginia, telephone (703) 471-1967 was apprised of the identities of the interviewing agents and of the purpose of the interview. He then furnished the following information:

HAWKINS said he worked for the UNITED STATES DEPARTMENT OF INTERIOR (DOI) from 1958 to 1969, for the UNITED STATES DEPARTMENT OF COMMERCE (DOC) from 1969 to 1970, for the PEACE CORPS from 1970 to 1971, and DOI from 1971 to 1975. He said between August, 1964 to August, 1968, he worked, as a part of DOI, for the Govenor's Trust Territory of Pacific as the Assistant Commissioner for Community Services which included education, health and community development throughout Micronesia. HAWKINS said after he retired from the government in 1975, he began to develop a consulting business with a view toward doing business in the Pacific Ocean islands such as the Caroline Islands, Marshall Islands and the Northern Mariana Islanda.

HAWKINS said in late 1983 or early 1984, [redacted] of AQRIQUEST CORPORATION was looking for venture capital. HAWKINS, who owned shares in AQRIQUEST, was asked by [redacted] to attend a meeting she had arranged with the investment firm of E.F. HUTTON. HAWKINS attended this meeting at the Washington, D.C. office of E.F. HUTTON and met BARTON WATSON and [redacted] HAWKINS stated he was intrigued by these two individuals and the financial management and services they were offering. HAWKINS said he saw an opportunity to make some money while bringing the type of financial services mentioned by WATSON and [redacted] to the Pacific Islands. He had made a great deal of friends and contacts in the islands when he lived there in the 1960's and wanted to take advantage of these contacts. He had always wanted to live in the islands and saw this as an opportunity to do business and live in the islands. HAWKINS stated that he knew the people who were now in political control and quite frankly, he was trading on his contacts over the years in order to facilitate his own companies.

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HAWKINS advised subsequent to the first meeting with WATSON and [redacted] he had several other meetings with them in

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Investigation on 1/30/86 at Reston, Virginia File # Alexandria 206I-32
HN 206I-129-25

by SA [redacted] des Date dictated 2/5/86
SA

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which they discussed E.F. HUTTON'S services as they related to the financial needs of the Pacific Islands, specifically the Northern Mariana Islands. He said at about this time, the United States and the Northern Mariana Islands were completing arrangements for compacts of free Associations for the Pacific Islands. These arrangements included the United States providing money to the Northern Mariana Islands which could be used for economic development loans. HAWKINS believed because of these arrangements, it was a good time to see what E.F. HUTTON could do for the Islands.

HAWKINS said after meeting with WATSON and [redacted] he met with [redacted] who was the [redacted] Economic Development Loan Fund in Saipan. HAWKINS had first met [redacted] in 1965, when HAWKINS was working for DOI and [redacted] was working for the MICROL CORPORATION. MICROL CORPORATION, a general trading corporation in Saipan, including being the agency for Toyota automobiles, which is a subsidiary of a large United Kingdom corporations known as the INCH CAPE GROUP. HAWKINS said he had remained friends with [redacted] and decided to contact him concerning what E.F. HUTTON could do. [redacted] told HAWKINS that the money in the Economic Development Loan Fund (which HAWKINS thought was around $7 million) was not getting a high return. The money was invested in certificates of deposits at local banks, principally the BANK OF GUAM, and was only earning around 8%. HAWKINS and [redacted] discussed the possibility of E.F. HUTTON taking custody of and managing the money in the fund and [redacted] encouraged HAWKINS to recontact E.F. HUTTON and have HUTTON prepare a proposal for the fund. HAWKINS stated his understanding of this fund was that since around 1976 the United states had appropriated approximately $1.7 million each year for the fund which was designed for low interest loans. There had not been a lot of loans from the fund so there was approximately $7 million available for investment.

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HAWKINS said he then recontacted WATSON and [redacted] and told them to put a proposal together for the Economic Development Loan Fund. HAWKINS said he never had any set arrangement as far as a finder's fee or commission for putting E.F. HUTTON and the loan fund together. He said he believes WATSON mentioned something like .2 of 1% of the total investment for a fee for HAWKINS but nothing was ever documented. HAWKINS did receive a piece of paper from WATSON or [redacted] which reflected a finder's fee schedule. HAWKINS said this did not reflect any official

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agreement between he and E.F. HUTTON but that it was the agreement that he, [redacted] and WATSON reached as to his fee. (HAWKINS provided the copy of this schedule that had been furnshied to him, stating that the handwritten notations were irrelevant). HAWKINS said that this finder's fee schedule was given to him before EDLF approved the transfer of funds to E.F. HUTTON. b6 b7C

HAWKINS said that in approximately June, 1984, he travelled to Saipan with [redacted] and WATSON. HAWKINS introduced [redacted] and WATSON to [redacted]. HAWKINS said that his best recollection is that the initial meeting took place at [redacted] home. [redacted] arranged a meeting at the INTERCONTINENTAL HOTEL, where he was a stockholder, in which members of the Economic Development Loan Fund Board of Directors attended, along with other interested government officials from Saipan. WATSON gave a presentation at the meeting concerning the financial management capabilities of E.F. HUTTON and what it could do if the fund was turned over to it. HAWKINS recalls that [redacted], a non-voting member of the Board and [redacted], a voting member of the Board were present as well as [redacted]. HAWKINS stated he was doing other work on the islands and as far as he was concerned the E.F. HUTTON proposal was a side issue for him. b6 b7C

HAWKINS said he had no more to do with the E.F. HUTTON proposal but was told later on by [redacted] that the Board had approved the proposal and transferred about $7 million to E.F. HUTTON. HUTTON did not make enough money and after about three or four months the Economic Loan Development Fund Board withdrew the money from E.F. HUTTON. HAWKINS understood that the money handled by E.F. HUTTON had to be available for loan purposes and was invested in certificates of deposit and brought about the same return that it had been bringing before the fund was turned over to E.F. HUTTON. b6 b7C

HAWKINS said in the Summer of 1985, [redacted] sent him $1000 in the form of two $500 checks. [redacted] explained this $1000 was a fee which [redacted] believed HAWKINS deserved because of introducing [redacted] to him. [redacted] had liked [redacted] and WATSON and invested with E.F. HUTTON. HAWKINS stated he did not know the exact nature of [redacted] investment with E.F. HUTTON but believed that it involved [redacted] stock holding in the INTERCONTINENTAL HOTEL in some way. Because HAWKINS had introduced [redacted] to [redacted] and WATSON, [redacted] sent the $1,000 to HAWKINS. HAWKINS said he deposited these checks into his personal account at AMERICAN INDIAN NATIONAL BANK in Washington, D.C. b6 b7C

HAWKINS advised in 1983, he incorporated COMMONWEALTH PACIFIC CORPORATION (CPC). He said he and [redacted] are the officers of CPC. [redacted], was an attorney who HAWKINS had met at a seminar on offshore corporations in San Francisco, took a trip with HAWKINS to SAIPAN in September of 1983. HAWKINS said that [redacted] was big in establishing "off shore" banks and had already established some in the Grand Cayman Islands and similar locations. [redacted] was listed on the incorporation papers as an officer and then resigned immediately. This was done as a convenience since [redacted] was not there. HAWKINS said he does not remember [redacted] as signing any forms to become the registered agent of CPC. He said he used the Post Office Box of [redacted] as a convenience. He said the other Post Office Box for CPC is his box, number 2263 in Reston, Virginia. He had first met [redacted] in [redacted] in 1956 or 1957, and renewed their friendship when [redacted] arrived in Saipan in the mid-1960's. [redacted] lived with the HAWKINS' for a brief period since he was alone as a result of a divorce.

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HAWKINS said in April, 1983, he incorporated ALPHA ASSOCIATES, INC. in Saipan. He did this with a friend from [redacted] Virginia, [redacted]. He said he first met [redacted] around 1972 when [redacted] was working for a firm that was doing business with the Bureau of Indian Affairs. HAWKINS said he does not recall [redacted] having anything to do withthe incorporation and does not believe [redacted] signed anything to make him the registered agent for AAI. He said the Post Office Box [redacted] in Saipan was assigned to [redacted] and HAWKINS used his box for a while. HAWKINS decided to fold this company and in January, 1985, formed a partnership called TRIDENT ASSOCIATES. He said AAI is still on the books but for all intents and purposes is defunct.

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TRIDENT ASSOCIATES is a partnership in the United States formed to do business with American Indians. Besides HAWKINS, [redacted] of [redacted] Maryland who used to work for the Indian Health Service and [redacted] are the partners of TRIDENT. He said this firm uses the AMERICAN INDIAN NATIONAL BANK in Washington, D.C. as did AAI.

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HAWKINS stated he did not receive any fee or money, other than the $1,000 from E.F. HUTTON for putting together [redacted] WATSON and [redacted]. HAWKINS denied splitting any finder's fees or commissions paid by E.F. HUTTON with [redacted]. HAWKINS denied any knowledge of or any involvement in any pay off of [redacted] for the purpose of directing the funds to E.F. HUTTON.

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HAWKINS advised he would search his records for his bank statements and telephone records for 1984 and would supply copies to the FBI.

HAWKINS stated that he made the first suggestion to WATSON and [redacted] at E.F. HUTTON about approaching EDLF to get the fund money into E.F. HUTTON accounts after speaking with [redacted]. [redacted] had told HAWKINS that the fund money was in local banks in certificates of deposits. HAWKINS stated that it was six weeks from the time that he first discussed the matter of the fund's money with [redacted] to the E.F. HUTTON proposal being submitted to [redacted] by WATSON and [redacted] in the Islands. HAWKINS said that he understood that the fund money was taken back from E.F. HUTTON because the Board members were too far removed from E.F. HUTTON. HAWKINS said that [redacted] was chairman of the Board of the fund when the money was returned from E.F. HUTTON. HAWKINS advised that there was some kind of an upheaval on EDLF Board which caused the money to be taken back from E.F. HUTTON. HAWKINS said that he thought [redacted] was an officer in the BANK OF SAIPAN. b6 b7C

HAWKINS advised that BARTON WATKINS has left E.F. HUTTON and he does not know his present location. HAWKINS said that he has not had any other payments from E.F. HUTTON or WATSON, [redacted] or anyone else in connection with this matter or any other transaction in addition ot the two $500 checks. HAWKINS stated that he has never had any direct business dealings with [redacted]. HAWKINS said that he is not aware of any loans made from the fund while it was under the management of E.F. HUTTON. b6 b7C

FD 302

FEDERAL BUREAU OF INVESTIGATION

Date 2/18/86

1

[redacted], E. F. HUTTON & COMPANY, INC., 1 Battery Park Plaza, New York, New York 10004, made available the following documents:

Check #585, dated 2/23/85, made payable to JIM HAWKINS, in the amount of $500.00, signed by [redacted], drawn on [redacted] account at FIRST AMERICAN BANK, Washington, D.C.; check #671, dated 5/22/85, made payable to JIM HAWKINS, in the amount of $500.00, signed by [redacted] drawn on [redacted] account at FIRST AMERICAN BANK, Washington, D.C.

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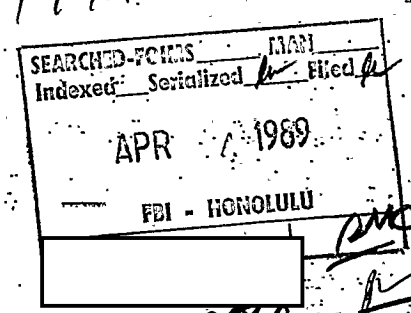
194A-121-1X8



SSRA

WASHINGTON FIELD

Investigation on 2/5/86 at Washington, D.C. File 206C-232

-HV 2011-129-27

By SA [redacted] HLS:ldj Date Dictated 2/5/86

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 4/15/86

On April 3, 1986, [redacted] for the COMMONWEALTH DEVELOPMENT AUTHORITY, Wakins' Building, telephone number [redacted] Saipan, Commonwealth of the Northern Marianas Islands (CNMI), 96950, provided the following information: b6 b7C

[redacted] stated that he was previously [redacted] of the ECONOMIC DEVELOPMENT LOAN FUND (EDLF) until its change came to be under Public Law 4-49 which changed the name to the COMMONWEALTH DEVELOPMENT AUTHORITY (CDA) in March of 1986.

[redacted] stated that he could not furnish any information to the FEDERAL BUREAU OF INVESTIGATION (FBI) because "he is afraid of liability that he may incur as a result of such information".

[redacted] insisted that he did nothing wrong, but stated that he would have a great deal to lose if this information turned out to be prejudicial to his actions as [redacted] of the EDLF. b6 b7C

[redacted] did however, furnish a listing of the present CDA Board of Directors which is as follows:

[redacted]

[redacted] Member
[redacted] Member
[redacted] Member
[redacted] Member
[redacted] Member

194A-121-1X9 b6 b7C

SEARCHED-FOLIS [redacted] MAN [redacted]
Indexed [redacted] Serialized [redacted] Filed [redacted]
APR 4 1989
[redacted]
SSRA

Investigation on 4/3/86 at Saipan, CNMI File # Honolulu 206I-129

by [redacted] JEV:jkf Date dictated 4/9/86

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/15/86

[redacted] of the BANK OF SAIPAN, was interviewed on this date at his office at the BANK OF SAIPAN. [redacted] advised that he was appointed by then Lieutenant Governor, PETE TENORIO, and subsequently served on the [redacted] for the ECONOMIC DEVELOPMENT LOAN FUND (EDLF) from [redacted] through [redacted].

[redacted] recalled that all of the funds for the EDLF had been deposited with the BANK OF GUAM on Saipan until a proposal came up approximately one year ago by a representative of the E. F. HUTTON CORPORATION (EFH) which would allow the funds to be maintained in account of EFH, and that in doing so, these monies would be guaranteed between twelve to thirteen percent. As he recalled, this figure could go as high as sixteen percent.

[redacted] stated that the [redacted] offered the EFH proposal to the Board of Directors, and because of the fact that the BANK OF GUAM only paid a maximum of eight percent, the Board agreed to have the funds transferred to the EFH account.

[redacted] stated that in this regard, he and [redacted] traveled to Washington, D.C., for the purpose of finalizing this arrangement with EFH officials namely, [redacted] and BARTON WATSON. [redacted] recalled that while they were in Washington, [redacted] received word from the EDLF office in Saipan, namely through its [redacted] that got the Board of Directors (BOD) to reverse its proposal to EFH and accordingly, the funds were removed from the EFH account. [redacted] stated that [redacted] was highly disturbed at the action of [redacted] because of the fact that the Board had gone behind his back to have this proposal rescinded; however, [redacted] stated that [redacted] insistence at accepting the EFH proposal was strictly because of the higher interest rate which could be earned from having these funds with EFH. [redacted] felt that any allegations concerning any kickback from EFH to [redacted] was absolutely absurd.

Investigation on 4/3/86 at Commonwealth of the Northern Marianas Islands, Saipan File # Honolulu 206I-129-39

by SA [redacted] JEV:jkf Date dictated 4/9/86

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[redacted] felt that if any irregularities were involved, it would be to the effect that these funds were being maintained at the BANK OF GUAM for a maximum of eight percent, and as any mathematician could easily ascertain seven million dollars and a deposit such as this, would certainly cause the EDLF to lose a great deal of money in interest lost.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/15/86

On April 4, 1986, [redacted] Commonwealth Development Authority (CDA) and a former member of the ECONOMIC DEVELOPMENT LOAN FUND (EDLF), was interviewed at the office of the CDA. [redacted] advised that his present occupation is the [redacted] of the Commonwealth of the Northern Marianas Islands (CNMI), and that he can be contacted at telephone number [redacted]. [redacted] also stated that he is presently serving as [redacted] of the CDA. b6 b7C

[redacted] recalled the situation which occurred in the Spring of 1985 in which a proposal was made by [redacted] concerning the transfer of approximately $7 million dollars in EDLF funds from the BANK OF GUAM to the E. F. HUTTON CORPORATION (EFH). [redacted] stated that he was the only Board member who voted against this proposal when it was initially made by [redacted]. He advised that he voted against this proposal for one reason, and one reason only, in that he felt the fund should stay "in the Islands". Specifically he advised that he wanted the money to stay on Saipan, and that any benefit from the depositing of these funds should stay with the people of the Northern Mariana Islands. b6 b7C

[redacted] stated that his difference of opinion with [redacted] was strictly on this basis and that he felt that an allegation concerning any kickback from EFH to [redacted] was absolutely absurd. b6 b7C

[redacted] recalled that he and the [redacted] discussed the matter in detail after the Board had accepted its initial proposal concerning the transfer of the funds to EFH and subsequently were able to convince the other Board members to reverse their initial acceptance of this offer. He advised that accordingly after the Board rejected the EFH proposal, the funds were withdrawn from EFH and redeposited in the BANK OF GUAM accounts.

[redacted] furnished the following information concerning Board members who were on the Board of Directors for

Investigation on 4/4/86 at Saipan, CNMI File # Honolulu 206I-129-4

by SA [redacted] JEV:jkf Date dictated 4/9/86 b6 b7C

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the EDLF at the time of its acceptance and later rejection of the EFH proposal. They are as follows:

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Members	Representing
[redacted]	General Public
	Tinian Community
	Banking Community
	Banking Community
	CNMI Administration
	ROTA Community

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/15/86

On April 4, 1986, [redacted] of the Board, MICROL CORPORATION, P.O. BOX 267, Saipan, telephone number [redacted] was interviewed on this date at his office. He was made aware of the identity of [redacted] as being a Special Agent (SA) of the FEDERAL BUREAU OF INVESTIGATION (FBI), and the fact that an investigation was being conducted concerning an allegation made which indicated that he had received a kickback from E. F. HUTTON (EFH) for depositing funds belonging to the ECONOMIC DEVELOPMENT LOAN FUND (EDLF) in 1985.

[redacted] stated that this allegation is absolutely ridiculous and advised that he would do anything within his power to voluntarily cooperate with the FBI and the U.S. Attorney's office in resolving this allegation.

[redacted] recalled that at the time of his proposal to have these funds transferred to EFH, the BANK OF GUAM was paying EDLF an eight percent interest rate. He felt that as a business venture, this was a ridiculously low amount inasmuch as EDLF had deposited with the BANK OF GUAM anywhere between seven to ten million dollars, and that they could go elsewhere and obtain a much higher interest rate. He had been approached by Mr. JAMES HAWKINS to have these funds placed with EFH, and he did entertain a proposal from EFH to the EDLF for the purpose of gaining a higher interest rate. He advised that members of the Board did insist on honoring a restrictive covenant which mandated that the funds be Federally insured. He advised that this did limit EFH in obtaining a higher interest rate above sixteen percent, however, EFH did come back with a proposal which guarantee between nine to eleven and half percent on this money.

[redacted] recalled that he made the proposal to the Board of Directors (BOD) and accordingly, the Board accepted the EFH proposal with only one dissenting vote namely that of its [redacted]. He recalled that [redacted] wanted to have the funds remain in an Island bank. Nonetheless, [redacted] after having received the approval of the Board, caused approximately seven million dollars of EDLF monies

Investigation on 4/4/86 at Saipan, Commonwealth of the Northern Marianas Islands File # Honolulu 206I-129

by SA [redacted] JEV:jkf Date dictated 4/9/86

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to be removed from the BANK OF GUAM, and transferred to the EFH account for the actuation of this proposal.

[redacted] advised that he and [redacted] a Board member, then traveled to Washington, D.C., where they were going to finalize the particulars of this proposal. He advised that upon arrival in Washington, D.C., and in meeting with EFH officials, he then determined that the BOD had reversed its position, and had caused the funds to be removed from the EFH account. He admitted that he was highly disturbed at the Board's actions, but insisted that he was angry because of the fact that EDLF would be losing a great deal of money by continuing to have its funds deposited with the BANK OF GUAM rather than in this more lucrative account.

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[redacted] emphatically denied receiving any kickback from EFH, and stated that he would voluntarily furnish any financial records of either a personal or business nature to the U.S. Attorney's office in conjunction with this investigation.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/9/87

BARTON HARRY WATSON, III, inmate, Registry number 11385-016, Date of Birth (DOB) October 18, 1960, incarcerated with the U.S. BUREAU OF PRISONS (BOP), U.S. PENITENTIARY (USP), FARM CAMP, Lewisburg, Pennsylvania, was contacted for interview in the Counselor's Office of that institution.

Prior to interview, WATSON was advised of the identity of interviewing Agent, Special Agent (SA) [redacted] FEDERAL BUREAU OF INVESTIGATION (FBI), Williamsport, Pennsylvania, and the nature of the intended interview pertaining to public corruption of government officials of the Commonwealth of the Northern Marianas Island, Saipan. b6 b7C

At this point of interview, WATSON temporarily terminated the interview to go to his room to retrieve personal notes and documents.

After a three minute wait, WATSON returned and the interview was continued.

SA [redacted] asked WATSON that subsequent to the interview if WATSON would voluntarily undergo a polygraph examination pertaining to the subject matter of the interview to which WATSON responded that he had no problem with taking a polygraph examination. b6 b7C

Prior to interview, WATSON was furnished a "Interrogation: Advice of Rights" form to read. After reading the Rights form, WATSON verbally acknowledged that he understood his rights and thereafter signed the form.

BARTON HARRY WATSON, III, furnished the following information:

WATSON is serving a one to three year sentence for one felony count violation of mail fraud for the sale of securities while employed with E. F. HUTTON, Washington, D. C. He was formerly employed as an Investment Banker with E.F. HUTTON INCORPORATED, located at 1825 I Street, Washington, D.C.

WATSON started serving his sentence of incarceration

Investigation on 9/8/87 at U.S. PENITENTIARY, Lewisburg, Pennsylvania File # PH 194C-485 (WRA) HQN 194C-100

by SA [redacted] sjh Date dictated 9/9/87 b6 b7C

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on May 25, 1987.

WATSON started his employment in May of 1982 as an Account Executive Trainee with E.F. HUTTON INCORPORATED. After completing training and licensing programs, he became an Account Executive of that brokerage firm as a retail stock broker in the Fall of 1982.

Over the next 12 months, WATSON proved himself exceptionally proficient and became the number one trainee in the brokerage firm's history.

During the Fall of 1983, WATSON entered into a partnership with [redacted], another Account Executive working at the E.F. HUTTON INCORPORATED Washington, D.C., Office. Both WATSON and [redacted] worked together for six months targeting institutional investments. Primarily the partnership was looking at arranging funding for developing aqua-culture production of lobsters similar to farming lobsters within a controlled environment. b6 b7C

While attempting to find investors for this venture, WATSON and [redacted] met a JIM HAWKINS, who was an independent entrepreneur and formerly employed as the Housing Director for the Government of Saipan. WATSON stated that somehow HAWKINS was tied into the lobster farming venture.

During the first or second meeting with HAWKINS over the lobster venture, it was apparent that HAWKINS had no interest in talking to WATSON and [redacted] about the investment venture, but wanted to talk to us about Micronesia. HAWKINS told us of business opportunities within Micronesia and specifically of a $150,000,000 trust fund being set up for the Marshall Islands Government who were soliciting for management of the fund. HAWKINS continued the discussion to get WATSON and [redacted] interest in obtaining the Marshall Islands Government as clients to handle management of the trust fund. The Marshall Islands Trust Fund was part of a compact of free association between the United States Government and Micronesia for reparation of the A BOMB TESTING HELD IN THE 1950's AT BIKINI ATOLL. b6 b7C

WATSON advised that the prospect of obtaining the

management of a $150,000,000 fund for E.F. HUTTON INCORPORATED interested both him and [redacted] and therefore after much research sometime during late 1983 WATSON, [redacted] and a third employee of E.F. HUTTON INCORPORATED, [redacted] flew to the Marshall Islands. The flight was from Washington, D.C., to Los Angeles, California; Los Angeles, California, to Honolulu, Hawaii; Honolulu, Hawaii, to the Marshall Islands via CONTINENTAL AIR MICRONESIA. b6 b7C

The three spent three days in Majuro relative to E.F. HUTTON INCORPORATED obtaining the trust fund and met everyone in the Marshall Islands Government including Chief and President for Life, AMATO KABOHA (phonetic). He indicated that the E.F. HUTTON group hit it off with the Majuro Government which facilitated and acted as a "green light" to deal with other Micronesian Governments and the Government of Saipan. Overall WATSON indicated that they were well received and the presentation of the E.F. HUTTON INCORPORATED sales pitch to obtain the trust fund consisting of WATSON renting a 50 to 60 foot sailboat, filling it with cases of cold beer and entertaining the entourage of Majuro Government officials.

After the three day presentation, the three HUTTON employees proceeded to Saipan via GUAM to see if there was any interest or activity for E.F. HUTTON INCORPORATED in investment banking ventures.

WATSON stated that while in Guam overnight during casual conversations with HAWKINS it appeared that he (HAWKINS) was very much plugged into Micronesia in that he knew everybody and everybody of importance knew him.

After arriving in Saipan and touring the Island, it was readily apparent that the tourist trade should and could be developed more extensively. WATSON advised that Saipan is the "Niagara Falls" of Japanese honeymooners and that the tourist facilities and accommodations on the Island are not adequate to support the influx of Japanese honeymooners. WATSON, [redacted] and [redacted] discussed this at length and determined that it was a potential target area of investment banking ventures to develop Saipan for the tourist trade. b6 b7C

FD-302a (Rev. 11-15-83)

PH 194C-485
HON 194C-100

Continuation of FD-302 of BARTON HARRY WATSON, III , On 9/8/87 , Page 4

While in Saipan the E.F. HUTTON group met with various Saipan Government officials who perceived them as the "great white hope" for bringing investment capital into the Island to develop their virtually non-existent tourist industry..

During this visit, HAWKINS introduced the three HUTTON employees to [redacted] of MICROL CORPORATION, which is a subsidiary and owned by ADKINS KAROLL, Guam. In addition, [redacted] is also [redacted] of the SAIPAN HOUSING FUND and a "big wheel" on the Island and close friend of HAWKINS. [redacted] shortly after their visit to Saipan was promoted as [redacted] of MICROL CORPORATION. b6 b7C

Through HAWKINS, the E.F. HUTTON group also met LARRY HILLBLOOM, one of the founders of DHL CORPORATION and principal owner of the BANK OF SAIPAN. WATSON indicated that HILLBLOOM became a good friend and key introducer for the group to members of the Saipan Government.

He indicated that WATSON and [redacted] had a financial agreement with HAWKINS in which he, HAWKINS, would receive a 25% compensation as a consultant for the HUTTON group. The compensation to be paid to HAWKINS would be received for any accounts, clients generated for E.F. HUTTON INCORPORATED, and paid to HAWKINS off of the top of commissions received by WATSON and [redacted]. b6 b7C

WATSON indicated that it is a violation of the NEW YORK STOCK EXCHANGE (NYSE) rules and E.F. HUTTON INCORPORATED policy to carry on this type of business practice, however, it is commonly and frequently done throughout the business.

WATSON stated that every step and procedure handled by WATSON and [redacted] toward investment capital ventures was told to and approved by [redacted] E.F. HUTTON INCORPORATED of their office. In addition, [redacted] was instrumental in selling the investment venture program of developing the Saipan tourist trade to the New York Headquarters of the firm. b6 b7C

WATSON stated that the E.F. HUTTON group trip to Saipan is known within the business as a relationship development trip and while staying in Saipan, the group presented a very high profile which consisted of throwing numerous parties, dinner

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engagements and various functions for Saipan business men and government officials.

During this trip, WATSON and [redacted] had an extremely candid meeting between HILLBLOOM and [redacted], also known as (aka) [redacted], who is [redacted] business man on Saipan and business partner of HILLBLOOM in the BANK OF SAIPAN. The candid meeting was related to Governor PEDRO A. TENORIO, Commonwealth of the Northern Marianas Island, Saipan. Basically, HILLBLOOM and [redacted] over a two day period taught WATSON and [redacted] how to do business and how business was done on Saipan in that: political influence and support was directly tied to doing business on the Islands; political influence is directly tied into businesses on Saipan; and favorable political influence required a piece of the action or cash compensation. b6 b7C

WATSON recalled that one business aspect for which they went to Saipan initially was to secure the administration and management of the SAIPAN HOUSING FUND which was at the time being administered by the BANK OF GUAM and consisted of a couple of million dollars. The BANK OF GUAM was paying exceptionally low interest return on the SAIPAN HOUSING FUND to the Saipan Government and therefore the E.F. HUTTON group attempted to secure the administration of this fund in which the Saipan Government could realize in the neighborhood of 14% interest return.

WATSON recalled that [redacted] on the last day of their trip suggested to WATSON during dinner to retain him as a consultant in an effort to secure the HOUSING FUND for E.F. HUTTON INCORPORATED and to smooth things out with the Saipan Government. b6 b7C

He indicated that the people of Micronesia have no concept of conflict of interests and that corruption is a way of life and no big deal.

WATSON and [redacted] entered into an agreement with [redacted] similar to HAWKINS that if anything became of their investment ventures on Saipan and if E.F. HUTTON INCORPORATED received the SAIPAN HOUSING FUND administration then he, [redacted] would be rewarded and compensated as a consultant only on "cash on delivery". b6 b7C

WATSON and [redacted] did not like the idea of buying business but were in a position of doubling their yield with E.F. HUTTON if they could lock down management of the accounts and generated capital venture investment in the development of tourist industry on Saipan. b6 b7C

WATSON advised that HAWKINS' responsibility was basically to sell the E.F. HUTTON group to the people and officials of Saipan. [redacted] during the next 12 months did everything in his power to get E.F. HUTTON INCORPORATED the SAIPAN HOUSING FUND account.

Purportedly [redacted] since WATSON's incarceration was awarded administration of the SAIPAN HOUSING FUND. [redacted] shortly after receiving the HOUSING FUND account with E.F. HUTTON INCORPORATED left that firm and is presently with [redacted], Washington, D.C. When [redacted] left E.F. HUTTON INCORPORATED, he left and took with him the SAIPAN HOUSING FUND account. b6 b7C

WATSON continued that a [redacted], not related to [redacted] was the Saipan Government [redacted] of the SAIPAN HOUSING FUND and is a real Bureaucrat. This individual did everything possible to sabotage WATSON's and [redacted] efforts to obtain the SAIPAN HOUSING FUND account and to maintain it with the BANK OF GUAM and undo all efforts of [redacted] to get the account transferred. b6 b7C

SA [redacted] questioned WATSON as to what favors were given to [redacted] for his consulting efforts to which WATSON indicated [redacted] received a round trip first class airline ticket from Guam to Tokyo, Japan, to Honolulu, Hawaii, on NORTHWEST ORIENT which was valued at $3000 to $4,000. In addition [redacted] gave WATSON and [redacted] $50,000 to $60,000 of his personal funds to manage on an E.F. HUTTON INCORPORATED account. Under the account of [redacted], WATSON and [redacted] did some personal favors such as buying hot offerings on the stock market to which [redacted] received $10,000 profit over a period of a few months. b6 b7C

WATSON at this time indicated that the specific dates of contacts and travel to Saipan could be firmed up through examination of his personal travel records maintained in storage with his fiancee in Washington, D.C.

WATSON continued that [redacted] after their first trip to Saipan continues to be very productive in an effort to generate

the SAIPAN HOUSING FUND for E.F. HUTTON INCORPORATED, however, they were running into a "proverbial brick wall" with the Saipan Government and it was therefore suggested to approach Governor TENORIO in efforts to obtain the account.

WATSON recalled that while on the first trip to Saipan he expressed interest to HILLBLOOM and [redacted] of getting investment funding for the Saipan tourist trade development. In respect to this conversation, WATSON and [redacted] were told that it was no problem with the right political influence. Both HILLBLOOM and [redacted] brought up the name of [redacted] of WAH KONG SHIPPING & INVESTMENT COMPANY, Hong Kong, who would possibly be interested in investment capital venture. [redacted] is one of the wealthiest men in the Far East and the world with assets valued over one billion dollars. b6 b7C

Ultimately [redacted] put together a meeting for WATSON and [redacted] with [redacted] in Hong Kong.

He indicated that WAH KONG SHIPPING & INVESTMENT COMPANY owns and operates the HYATT REGENCY HOTEL located on Saipan.

Upon completion of their visit to Saipan, WATSON and [redacted] went to Manila, Philippines, for business on an unrelated venture and thereafter flew to Hong Kong to meet [redacted].

The next day after arrival in Hong Kong, WATSON and [redacted] met [redacted] at 11:00 A.M., however, he does not recall the specific date. The meeting occurred in the conference room of the Corporate Headquarters for WAH KONG SHIPPING & INVESTMENT COMPANY and was solely with [redacted]. The meeting lasted for approximately 45 minutes. [redacted] impressed both WATSON and [redacted] as to his wealth and contacts with individual in Saipan. b6 b7C

During the meeting, [redacted] related problems encountered with officials of the Saipan Government in the corporations running and administering of the HYATT REGENCY HOTEL primarily pertaining to occupancy certificates, expansion zoning regulations and the selling of alcohol licensing. [redacted] related that all of minor difficulties encountered at the HYATT REGENCY were handled solely by Governor TENORIO. [redacted] continued to relate that if an individual knew how to play by the rules of the game that b6 b7C

Saipan held great investment potential. WATSON specifically recalls that he asked [redacted] what rules of the game were on Saipan to which [redacted] responded that WATSON and [redacted] seemed quite intelligent and articulate and that they have already found out what the rules are on Saipan. b6 b7C

WATSON indicated that the meeting with [redacted] was very productive and both agreed to work jointly on some tourist investment ventures on Saipan.

At the completion of the meeting, [redacted] told WATSON and [redacted] that you don't have to be competitive to do business on Saipan. [redacted] during the meeting appeared to word the conversations very carefully. b6 b7C

After WATSON and [redacted] meeting with [redacted] on Hong Kong, they flew back to Washington, D.C.

WATSON indicated that it is a normal policy of E.F. HUTTON INCORPORATED for their employees to cover business expenses from their own salary and commissions, thereafter upon the signing of a new client or management account would receive a big commission on sale which would cover expenses. At the beginning it was determined that the investment venture on Saipan would take longer than expected.

While back in Washington, D.C., WATSON and [redacted] did considerable amount of followup process and learning everything there is to know about Micronesia through the tutoring of two individuals with the Micronesian Status Negotiation Office of the U.S. DEPARTMENT OF INTERIOR (DOI), Washington.

WATSON recalled that one individual with this office was a Negro male lawyer in his mid 30's who was married to a Micronesian. During the course of their tutoring and learning to facilitate their contacts and awarding of the ventures, this individual repeatedly told them to be circumspect with dealing with the Saipan Government officials that they all were corrupt all the way to the Governor. b6 b7C

The second individual who tutored WATSON and [redacted] was a Marshallese Asian Islander male in his mid 50's.

During the tutoring process, both WATSON and [redacted] became very friendly with the DOI employees and assisted them

in understanding the very fundamental nuances of how things operate, happen, and are approached by the Micronesians and on Saipan. This tutoring and learning process was very useful to them in further dealing and contacts on Saipan.

WATSON advised that shortly thereafter he and [redacted] effected an agreement with the Government of the Marshall Islands as clients for E.F. HUTTON INCORPORATED, specifically for the cash management of their assets and funds. Obtaining the Marshall Islands group as clients for E.F. HUTTON INCORPORATED greatly assisted both WATSON and [redacted] in building credibility for their capital ventures on Saipan. b6 b7C

At this point the interview was terminated for lunch until 12:00 noon.

At 12:00 noon the interview was continued and WATSON furnished the following:

WATSON related the following intelligence information pertaining to business dealings on Saipan. He advised that he has no direct knowledge pertaining to the following information however, was informed of the information through his extensive business activities for E.F. HUTTON INCORPORATED.

In early 1980 a firm known as INTERNATIONAL (LAST NAME UNKNOWN), a British Corporation, which builds electrical power plants went to Micronesia and contracted to build power plants throughout the Islands. Specifically they built a plant in the Marshall Islands for an exorbitant cost which was financed by MIDLAND BANK solely with no capital investment or cost to the Marshall Islands Government. Chief and President KABOHA and other Marshall Islands politicans were purportedly put on the payroll during the construction of the power plant as consultants.

In the same vein, Governor TENORIO of Saipan was also attempting to get approval and authorization from the Saipan Government to have the same British Corporation build a power plant on Rota (phonetic) Island. This purportedly was to be a hugh electrical power plant big enough to power a city of considerable population yet the Island had a very sparse population and did not need an electrical generating plant of

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this size. Ultimately the Saipan Government through considerable public opposition was able to get Governor TENORIO's proposal killed. However, Governor TENORIO was able to get a sister electrical power plant built by this British Corporation on the Island of Taleu (phonetic) at considerable cost to the Saipan Government. WATSON advised that during his frequent trips to Saipan comments were heard that Governor TENORIO received a substantial monetary kickback from the British Corporation building the electrical power plant.

WATSON advised that overall the entire Saipan Government functions in a totally corrupt climate.

WATSON recalled that during one trip in which he and [redacted] went to Saipan they were informed by HILLBLOOM and executives of the BANK OF SAIPAN that they desired on behalf of the bank's clients to obtain investments and securities solely in the bank's name without divulging the identities of the investment clients and to hold the investments and securities outside of the United States. WATSON advised that the purpose and motivation would be to circumvent the United States income tax, to circumvent embarrassment of the considerable amount of wealth held by the Saipan clients and to alleviate or hide the concept of constructive receipt. WATSON and [redacted] explored and were ultimately successful in booking this business activities for E.F. HUTTON INCORPORATED through the London, England, and Geneva, Switzerland, offices. b6 b7C

WATSON stated that on or about September 1984 he and [redacted] went to London, England, to meet HILLBLOOM who has a residence in that country. Primarily the meeting with HILLBLOOM was for two reasons, primarily to attempt to obtain a cash management contract account with DHL and to discuss the Saipan investment ventures and administration of the SAIPAN HOUSING FUND. During the meetings, HILLBLOOM and his partner, [redacted] b6 b7C
[redacted] HILLBLOOM who has nothing to do with the SAIPAN HOUSING FUND told WATSON and [redacted] what changes were needed to their prospective proposal previously submitted to the Saipan Government and that they would have to reduce the interest of return from 14% to a lesser percentage. In addition, HILLBLOOM wanted WATSON to increase their fees to reduce Saipan's interest accrual. WATSON pressed

HILLBLOOM as to what he meant to which he told WATSON that he (WATSON) would find out more when they met Governor TENORIO after which E.F. HUTTON INCORPORATED would get the SAIPAN HOUSING FUND account.

WATSON and [redacted] during this time continued to press the issue of getting the SAIPAN HOUSING FUND account with [redacted] and HILLBLOOM.

Sometime during the second week of October 1984, WATSON and [redacted] flew again to Saipan from Washington, D.C. This resulted in an overnight layover in Guam, Philippenes. b6 b7C

While in Guam, WATSON and [redacted] met HAWKINS who informed them that everything in regard to the SAIPAN HOUSING FUND account was set up.

The next day [redacted] and HAWKINS arrived in Saipan and met HILLBLOOM who had already flown from London, England, and in route, had drafted new banking provisions and proposals which placed the Saipan banking laws under a grandfather clause as an uninsured bank to defeat U.S. CONGRESS' new approved legislation which empowered all Micronesian Commonwealth Banks under the United States to be regulated under the provisions of the FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC).

WATSON related that purportedly Governor TENORIO was directly related to the failure of the Commonwealth Bank of Saipan by first taking out all government funds and instituting new laws and legislation making it harder for the bank to function which resulted on depositors run on the bank and ultimate shutting down of the bank by the Saipan Government. This resulted in the BANK OF SAIPAN as the only commercial institution entity on Saipan, holding a monopoly on banking throughout the Marianas Islands. Coincidentially Governor TENORIO is listed as one of the major shareholders for this bank.

WATSON advised that the [redacted] for the BANK OF SAIPAN, an American citizen who formerly worked for the FINANCIAL CORPORATION OF AMERICA in California, was recruited to be the [redacted] for three times his normal salary while in the United States. WATSON advised that this individuals could be very beneficial in furnishing information of corruption within the Saipan Government due to the fact that he is very disgruntled b6 b7C

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with his employment at the BANK OF SAIPAN and has been stifled in efforts to generate legitimate depositors.

The BANK OF SAIPAN is considered a joke and makes no efforts in obtaining new depositors or investors and is solely a vehicle for Governor TENORIO and his cronies and close friends to hide their illegal activities and investments.

During this October 1984 trip to Saipan, HILLBLOOM told WATSON that for E.F. HUTTON INCORPORATED to get the SAIPAN HOUSING FUND account that the BANK OF SAIPAN would be the intermediary between the Saipan Government. WATSON advised that this was approached to him to allow the BANK OF SAIPAN and its major stockholders and executives to get a piece of the action directly. He advised that GOVERNOR TENORIO would get a piece of the action from E.F. HUTTON as well as from the BANK OF SAIPAN off of the SAIPAN HOUSING FUND account management. He advised that during this trip all conversations with HILLBLOOM and [redacted] were more blunt and open.

[redacted] told WATSON that he wanted his daughter's tuition taken care of at a school in California and wanted to receive $40,000 per year for his consulting fee plus the additional back-in commission previously discussed out of WATSON and [redacted] profits. b6 b7C

WATSON advised that HILLBLOOM wanted his piece of the action through the BANK OF SAIPAN primarily not interest in the monetary gain but as a vehicle to increase his power stature in Saipan and throughout the Northern Marianas Island group.

WATSON had been lead to believe that [redacted] initially was paid off to keep quiet but ultimately learned that he was causing problems for E.F. HUTTON INCORPORATED in taking the HOUSING FUND account away from the BANK OF GUAM because [redacted] was being paid by the BANK OF GUAM to circumvent their activities. b6 b7C

On this trip to Saipan, WATSON personally met Governor TENORIO in his office. He described Governor TENORIO as the Saipan version of a "good ole boy". The meeting was strictly one on one between WATSON and Governor TENORIO. WATSON was driven to the Governor's office by HAWKINS who sat outside in the secretary's reception room area. This was the first time that

WATSON had met Governor TENORIO alone in which [redacted] was not present and none of Governor TENORIO's close friends and cronies were not around. b6 b7C

WATSON recalled that the meeting lasted for approximately 30 minutes of which the first 15 minutes was about general conversation pertaining to Saipan, the tourist trade, and other legitimate business activities. He advised that after the small talk generalities, Governor TENORIO became very serious and told WATSON that he felt that E.F. HUTTON INCORPORATED could do a lot of good with the SAIPAN HOUSING FUND. Governor TENORIO told WATSON that the BANK OF GUAM was presently administering the fund account and that it was very difficult for him to get the fund account transferred due to the complex political complications which would result in such a transfer to E.F. HUTTON INCORPORATED.

Governor TENORIO then discussed with WATSON making the BANK OF SAIPAN the intermediary in the administration of the fund account and if this has been approved by E.F. HUTTON INCORPORATED officials and firmed up with HILLBLOOM. WATSON assured Governor TENORIO that all aspects have been resolved.

At this point, Governor TENORIO mentioned that HILLBLOOM indicates that E.F. HUTTON INCORPORATED will be very friendly to his friends and himself to which WATSON asked him what he meant and that if Governor TENORIO was referring to favors.

Governor TENORIO said no that the favors had already been done.

Governor TENORIO then related that he wanted information on investment opportunities and asked WATSON to open an investment account with E.F. HUTTON INCORPORATED for $10,000 through the BANK OF SAIPAN. WATSON assured Governor TENORIO that this can be done and that the initial funds would be drawn from his account at the bank.

At this point, Governor TENORIO became very angry and adament about WATSON opening the investment account directly with HILLBLOOM which would be funded strictly from E. F. HUTTON funds for the total $10,000. WATSON advised that he assured Governor TENORIO that this would occur after which he became more jovial.

Governor TENORIO then assured WATSON that everything was going smoothly to which WATSON informed him that his account would be opened with E.F. HUTTON INCORPORATED in the first quarter of 1985. Governor TENORIO assured WATSON that E.F. HUTTON would be awarded the management of the SAIPAN HOUSING FUND during the first part of 1985.

WATSON advised he is not sure if the payoff of $10,000 from E.F. HUTTON funds were made opening an investment account for Governor TENORIO or not since he, WATSON, left the firm in the first part of January 1985. WATSON feels that [redacted] did ultimately get the SAIPAN HOUSING FUND account shortly thereafter and after transferring to [redacted] took this account with him. b6 b7C

WATSON recalled that one of the deals on the SAIPAN HOUSING FUND account was to bring one of Governor TENORIO's relatives to work at E.F. HUTTON INCORPORATED in the New York Headquarters and train him in financing. He feels that basically this was to give Governor TENORIO's relative a $100,000 per year job for gratus.

He indicated that the Saipan Government and Governor TENORIO and cronies have no consideration for the best interest of the North Marianas Island population only to increase their personal wealth and power.

SA [redacted] questioned WATSON if he was acquainted with [redacted] to Governor TENORIO, to which he replied that he never met or spoke to this individual but knows him as Governor TENORIO's "lackey". b6 b7C

He stated that throughout his business dealings and contacts with Governor TENORIO, Governor TENORIO never attempted to insulate himself from any of the corruption or deal makings through the use of an intermediary. All of Governor TENORIO's activities were strictly up front and through him.

Upon completion of the interview, WATSON advised that on September 11, 1987 he will have a Rule 35 Reduction of Sentence hearing pertaining to the charges for which he is incarcerated. He advised that he does not like being shaken down by Governor TENORIO and his cronies as well as the Saipan Government which

is the predication for this interview. Specifically he is not looking for any deals or reduction of sentencing for his cooperation, however, when released from his incarceration and serving time on his sentence, wants to be in a position to do business in the Far East again.

WATSON stated that the risk to his future career as an investment banker if he testifys is not worth getting out of prison early for. WATSON feels that he has satisfied his moral duty and obligation in allowing this interview. WATSON stated that he is therefore not sure if he is willing to act any further as a government witness and to testify regarding the above information.

He indicated that all travel records are in storage with his [redacted] who is [redacted] for the [redacted] in Washington, D.C. b6 b7C

The interview of BARTON HARRY WATSON, III was terminated at this point.

FD-340a (Rev. 10-3-77)

(Title) _____

(File No.) 194B-121-1A

Item	Date Filed	To be returned Yes	To be returned No		Disposition
1A1	10/17/89		✓	Orig notes re interview of Barton Harry Watson, III; Interview log; FD-395	
1A2	9/26/89		X	Orig notes re interview of Hawkins; 9/14/89	
1A3	"		X	" " " " " " ; 9/15/89	
1A4	"		X	" " " " [redacted]	
1A5	2/24/90		✓	FD192 showing cost of documents re: 194-A1-24481 and 1B2	

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194B-121-1A
SEARCHED-INDEXED-SERIALIZED-FILED
OCT 17 1989
FBI - HONOLULU

FD-340 (Rev. 4-2-85)

Field File No. [redacted]

Serial # of Originating Document

OO and File No. 194B-HN-121-1A1

Date Received 9/26/89

From Barton Harry Watson, III
(Name of Contributor)

509 N. State Rd
(Address of Contributor)

Belding, Mi

By SA [redacted] (Agent)

b6
b7C

To Be Returned ☐ Yes ☑ No Receipt Given ☐ Yes ☑ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☑ No

Title:

Reference: _____
(Communication Enclosing Material)

Description: ☑ Original notes re interview of

1. Barton Harry Watson, III
2. Interview log
3. FD-395 - Advice of Rights form

HN 194B-121-1A1

FD-395 (Rev. 10-1-87)

INTERROGATION; ADVICE OF RIGHTS

YOUR RIGHTS

Place Marpan, Saipan, CNMI
Date 9/26/89
Time 9:25 AM

Before we ask you any questions, you must understand your rights.

You have the right to remain silent.

Anything you say can be used against you in court.

You have the right to talk to a lawyer for advice before we ask you any questions and to have him with you during questioning.

If you cannot afford a lawyer, one will be appointed for you before any questioning if you wish.

If you decide to answer questions now without a lawyer present, you will still have the right to stop answering at any time. You also have the right to stop answering at any time until you talk to a lawyer.

WAIVER OF RIGHTS

I have read this statement of my rights and I understand what my rights are. I am willing to make a statement and answer questions. I do not want a lawyer at this time. I understand and know what I am doing. No promises or threats have been made to me and no pressure or coercion of any kind has been used against me.

Signed [signature]

Witness [redacted], Special Agent, FBI, Saipan, CNMI 9/26/89.

Witness: _____

Time: 9:32 A

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Mr. Watson traveled to Saipan under service of Federal Grand Jury subpoena from the ~~District~~ District of Northern Mariana. Prior to his travel, a grant of immunity was provide to Mr Watson through his attorney from Assistant U.S. Attorney [redacted] JGY 9/26/89

Interview of Barton Harry Waton, III, DOB 10/18/60, MDL# W 325 881 298 802, 509 N. State Rd, Baldwin, Michigan on Sept 26, 1989, at Saipan, Saipan, CNMI, by SA [redacted]

9:25 A Interview initiated with reading of rights form FD 395

9:33 A Waton signed waiver of rights. Started with Waton providing background.

10:48 A Rest period commenced.

10:59 A Interview continued.

11:34 A Break for lunch.

1:35 P Resumed interview.

2:35 P Interview terminated.

[redacted], Special Agent, FBI, Saipan, CNMI, 9/26/89

b6
b7C

(1)

9/26/89

Barton Watson SSAN 381-78-3111
10/18/60

[redacted] BACKGROUND

, EFH

7 brokers - 75 to 80 in 18 mos. Focused on growth. Phil/Liberal interpretation of SEC regs. philosophy - Make your production. [redacted] and [redacted] from Johnstone - Lamm as administrators and broker.

Office had partnerships working together on accounts and sharing proceeds. [redacted] had extremely large client base & didn't use. Watson was remarkably successful w/ generating the most out of each client. They were a legal partnership. [redacted] was very good at paperwork, but Watson disposed it. We could function more fully with clients w/o burden of paper work. - A synergy - b6 b7C

End/1989 all-in partnership - Every revenue generated - they shared commissions. Order ticket. Were ~~asked~~ assigned a joint account number. split 50-50. Partnership because of management - not a legal partnership. Given own support staff. Developed a business plan to focus on business/commercial customers. Wanted long term relationship with sophisticated clients. Had freedom to run his own calendar. Ran as a little business. Institutional business w/ international focus.

HAWKINS

Recruited [redacted] to administer account - a money manager from Raleigh / Durham office. Worked with S&C and probably suffered some fallout. Probably not w/ EFH anymore.

[redacted] told him [redacted] victim of auto accident. Don't place much confidence in her. He now understands [redacted] is alive, but definitely no longer w/ EFH, but probably w/ [redacted]

2/3 way to securing $150,000,000 when he was out of picture. Should have been brought in, but didn't finalize account before he left EFH.

Money manager is ~~as~~ technical resource.

Hawkins, as civil servant, had extensive contacts. Want to cash in on these contacts.

b6
b7C

(3)

1st Trip to Saipan

June 1984 - business trip [redacted], Watson, [redacted], Hawkins met them in Majuro. Came to Saipan. Met [redacted] b6 b7C
[redacted] having authority
Politically connected - in political party affiliated
Pres of Mariat Corp.
Business / got contacts.

Envisioned that Saipan was ready for economic development. Saw the $10,000,000 as an attractive account that would be easy to get. Shows commitment to the region. Profitable. Just of Hawkins. Can be delivered. It's a simple, little account to bring in.

Wanted a quick, easy sale, so bidding very thin - 13-16%. Used a conservative approach w/ US Treasury related investments.

3 nights - Relationship development trip.

[redacted] set up meeting with [redacted] Hyatt Regency. Wanted to expand business b6 b7C
in Saipan, met [redacted] in Hong Kong. [redacted] and Hawkins did not go to Hong Kong. [redacted] to US. Hawkins in Saipan. Spent less than an hour.

(4A)

$10,000 fee to EFH* Cash management program Marshall Islands.

(4)

Left with impression that to do business in Saipan, had to put money in right hands and [redacted] knew which hands needed money.

b6
b7C

Introduction thru [redacted] and Hillblom. met Hillblom thru [redacted] Influential local resident / Bank of Saipan. Also met [redacted], BofS "We will open an account in the name of Donald Duck!"

[redacted] told them that 1 or 2% gain would be sufficient. was sharing in proceeds. There were specific assignments. [redacted] / Watem 50%, [redacted] 25%, Hawkins / [redacted] 25%

b6
b7C

Split w/ EFH 60-70% payout to principals 30-40% to EFH.

2nd trip

(5)

1st week of Oct, 1984

Mintan phone contact w/ Hillblom, met him in London, also met manager of London office, also w/ [redacted]. Source of money is irrelevant, but client is B of S.

Got together w/ Hillblom.

b6
b7C

Agreed to make a joint presentation/proposal with B of S. [redacted], Watson, Hillblom. Hillblom made suggestion. Joint management of fund.

Never offered anything to anybody. Was solicited

(7)

[redacted] - Perks

b6
b7C

(1) 1 pr airline tickets Guam - Honolulu one way [redacted] was in beauty contest. [redacted] and needed airline tickets. Local NW people will re issue it for him.

(2) Frequently asked for returns in form of advance - Kicked out as [redacted] of Mich and made - Mich. ::Dino pay. Returns, advance against commission, agent, Watson gave nothing to [redacted]

b6
b7C

(3) [redacted] set up account of $10,000 (mutual fund) by phone. Allocated guaranteed shares. Hot offerings - Demands exceeds supply Can get Rands in 100-200 shares $2 - one Rem later $25/share. Discretionary. Firm policy against first. No restrictions against send.

Watson ~~Acct~~ account # 99-173 employee account coded 99

(4) Needed money to educate his daughter. Objective $60,000 for daughters education

(8)

Hillsboro / BOS - Perks

Nothing

No kickbacks

No accounts set up

(9)

3rd trip can't put date on it. This was trip when found presentation to Bd of Directors. Presentation made by [redacted] and Water. Not sure if Hall from there, [redacted] there. Hawkins there.

b6
b7C

(10)

Governor — Can't remember dates

They drove separate cars.

Hawkins took him in to Gov's office and introduced them, then he departs.

[redacted] is doing business w/ EFH. The gov was talking about his own account set up at Hutton. Gov wants account at Hutton. b6 b7C
thought Wants incredible results in this account, but Gov expected EFH to finance the gov personal account. Got definite impression [redacted] Gov thought EFH financed opening of [redacted] account. Wanted account opened same as [redacted] — $10,000.

Watson made it clear that Gov would be thrilled w/ results of account.

Nothing happened.

(11)

Detail the exact accounts set up for Hillblom and Bank of Saipan by EF Hutton through its offices in London, England and Geneva, Switzerland NONE

Where did they meet Hillblom in England in Sept, 1984 MIR offices, wine bar (Hillblom hangout)

Details of discussion with [redacted] re $40,000/yr consulting fee and daughters tuition? Was any of this paid? b6 b7C

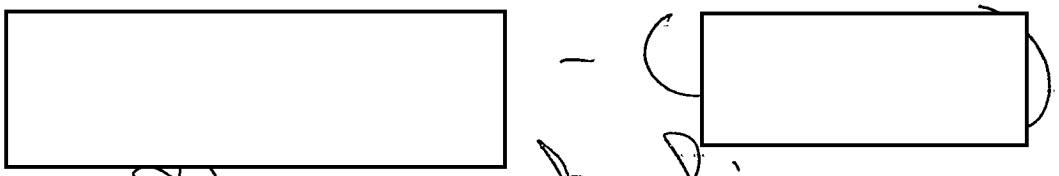
How was B of S used as intermediary in administration of the fund account?
NEVER USED AS INTERMEDIARY!

Did Watson arrange to use $10,000 of EF Hutton funds to open an investment account for Gov T in name of BOS?
NEVER

Name of Gov T relative working at EFH? Who would have arranged for this job? Idea to open an EFH office in Saipan. Idea proposed by Hawkins, but idea wasn't his. Would be good for local people, implied strategic people would be employed.

(12)

Pin Letter Down. Can't



b6
b7C

Never met him

(6)

Support staff - NAMES

[redacted] - administrative assistant

b6
b7C

Did he invest personal or business money in Micronesia / Saipan —

Thinks [redacted] knew management of account was wrong + wrought and created fraudulent books.

5/1

Never made any investments in Japan personal or otherwise

BARTON WATSON

DOB 10/18/57

SSAN 381-48-3111
381-78-3111

Univ of Wisconsin 1972-73
Univ of Michigan 1973-75

Started with EFH 12/8/83
Released from EFH 1/28/85

Submitted his application that way. He believed he was too young.

381-78-3111

interim student 77-78
78-80

Registed August '82
for rules violations

Hutton Government Fund

Invested 7,205,772 - starting 10/1/84

Account Statement Period 10/1/84 - 5/8/85

Earned $14,210.00 in 1984

Earned 219,003.99 in 1985

Interviews

Hill Blum

[redacted] b6 b7C

Records

Specific dates of contacts and travels to Saipan from his personal travel records maintained in storage with [redacted] b6 b7C

Documents supporting claim he paid bribe to Gov Pedro A. Tenorio.

Private papers and notes regarding accounts set up in name of CH's DHL BOI in London & Geneva.

FGJ Subpoena - COVER

Tourist investment ventures in Saipan

9/8/87

Outline the mail fraud conviction
When was he incarcerated May 25 1987.

Did Watson [redacted], and [redacted] secure an account for EF Hutton from Marshall Island gvt ($150,000,000)?
~~YES~~ NO, not while Watson was there. b6 b7C
Hawkins was to be paid 25% consultants fee off the top of commissions secured by Watson and [redacted]: ~~Did he pay Hawkins~~ Did he secure a cut of commission? Did he pay Hawkins his fee? $10,000 to EFH
Was paid for cash management account in Marshalls
Details of meetings with Hillblom and [redacted]

Details of agreement with [redacted] - "cash on delivery"

How did he know [redacted] left EFH and went to [redacted] with the EDLF?

Favors to [redacted]
Airline tickets - Guam - Tokyo - Honolulu
[redacted] minded 50-60,000 in EFH account. b6 b7C
Did personal favors (p 6) to insure $10,000 profit over a few months

Who suggested to approach gov T
Who was present

FD-340 (Rev. 4-2-85)

Field File No. 194B-121-1A2

Serial # of Originating Document _____

OO and File No. 194B HO 121 - 1A - 1

Date Received 9-14-89

From JAMES EDGAR HAWKINS
(Name of Contributor)

11438 WATERVIEW CLUSTER
(Address of Contributor)

RESTON VA
(City and State)

By SA [redacted]
(Name of Special Agent)

b6
b7C

To Be Returned ☐ Yes ☒ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: PEDRO P. TENORIO
ET AL
CSLPO - LOCAL LEVEL

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of
HAWKINS 9/14

HN 194B-121-1A2

(1)

9/24/

JAMES EDGAR HAWKINS
DOB JUNE 7, 1922
POB BUENOS, AIRES.
SSAN 218-18-0676

11438 WATERVIEW CLUSTER
RESTON VA 22090
HOME 703- 471-1967

departed 3½ yrs.
with son
2 degrees from Penn State
BA- [illegible] MED
DR. at Samford.

2 YRS.

US Army
WWII infantry
officer Status
Completed

NOT CURRENTLY EMPLOYED.
RETIRE FEDERAL GOVERNMENT.
most recent with dept of Interior
" " Commerce
Peace Corps.

POT - late 50s 60 area director of bureau
of indian affairs
Juneau Alaska
management
Nominated 64 treaty to
Secretary of the Interior
Islands Status as
Commissioner of Health
Education
left entered → 1972 regional at
director of education
for the bureau of indian
affairs
1976 end of government service.

Common Wealth Pacific Corporation
Name of Consultant firm

Incorporated Saipan 1979.

~~Field work education:~~

~~no work with women with under~~
~~year or so.~~

no - built numerous med.
bulk of my work with american Indian
tribes

VINNELL/VA
Bend/ NAVAJO tribe.
= employee home garment building
on reservation.

Healthcare arm out of Columbia MD. 3 ASSOCIAT
consulting firm J. John R. Short constant
"helps american companies to penetrate
markets."

Fee = min $1,400 per day no retnr.

last active work 2 years ago 1½ mo.

J.R.S. interested in TRUK state hospital
Wallen marine Spain ATTOL. MOEN
Governments for
hospital contracts.
successful on Truk.

fund the opportunity ~~sloppy not be exploited~~
~~clients~~ present a presentation
by to what present
~~all what success will~~
~~be supported.~~

How projects get started
on the ground, newspapers, Travel magazine
and alot of contents would write.

~~last what is more reason~~
~~jungle never long trip out out there.~~
~~contents not as good as they are in your eye.~~
~~more nations not my wallet.~~

~~Fund NMI located SI A pace~~
~~by new nations come out as a compromise~~
~~dependence of negotiation opportunity~~
~~provided its self > due to him for the~~
~~or button would be a portion to~~
~~take advantage of opportunity.~~

~~two of is content~~ [redacted]
~~Button. webster~~

b6
b7C

~~Jeopardy type~~
~~last been introduced through~~
~~one~~ [redacted] ~~percent of would be.~~
~~AGRI QUEST. Wesley~~

~~already worked with them 3 yrs~~
~~webster dropped out of picture mysteriously~~
~~without an account~~
~~Volume is still this.~~

1.) > wilson 1982 last spoke with him

2.) He spoken with [redacted]
a party at his home
regarding to obtain a [redacted] account marshall islands.

Involved in the extent that he introduced contact [redacted]
this date $10,000.
payments and about He

b6
b7C

[redacted] of
Marshall Islands
AMATA [redacted] BUA Regarding the account.

first established by us Government from appropriated funds in bad to be operated as a western bank fund.

local bank in [redacted] felt

el Rubbon was elected in the weekend meeting out of the funds. departed in the bank of Guam. 5 bank

locally chartered bank of Saipan

(51)
1

up front pg 3,

brief report of [redacted] W.M.F. to the dept of Intrior all public documents.

requested material from the person off

"Pet Terrorism"? no from who he met on Stapleton.

lived on Simpson Expy. 10/64 to 8/68.

Hall who he met. negative.

Stapleton dropped out.

introduced early 1980 thirty of seven

dated item check or encrypted

8 2 8 2.

called this office for an appointment. b6 b7C

[redacted] drove watson and

out to the farm meeting took place at

the farmers office.

all those participated in the meeting

→ And. Soon after the initial

introductions session came to order

about three of five and watson

met on State person.

Part of the arrangements.

~~previous deemed this ban in the state~~

~~at that point two opportunity to discuss.~~

~~pursuing the contract.~~ (1)

~~public works contracts they would~~ (2)

~~Each work on the Harbor Airport.~~

~~It seems to me that I did.~~ a

~~contingent to that had such at the~~

~~Gardens Each do business document~~

~~that would have been highly unusual.~~

~~NO Route 7~~

~~W Special Fest~~

~~NO Table~~

~~Both Happy~~

~~getting his account than you last Each~~

~~= you Hoon Bill.~~

~~they would like to the type.~~ Builders ~~Paint~~ Hardware

~~Dempsey wants because of the circumstances~~

~~under which he left Butler.~~

b6
b7C

(2) [redacted] ~~would object as close as possible.~~

~~Also want to Point a out will opportunity~~

~~We permit if we can bring some of them in. John we can make you a wealthy man.~~

~~— this is the one time I worked on the come would get a go.~~

~~Puppy basket~~

~~mean but anything in with illegal to commit percentage of time more to a folder~~

~~Dear Peter~~

~~207 of all the Gunners don~~ [redacted] b6 b7C

~~dis on the Atlantic didn't get~~

~~didn't get it Got 4 payout 2 000 on.~~

~~Plus 15,000 for a agent contact.~~

~~Need alert of rumors about if you want to be Gunners report back to by the Gunner.~~

~~NO TALK OF KICK BACKS, OR FAVORS~~

~~2nd Time with on and~~ [redacted] b6 b7C ~~Antigua.~~

~~after with drop board of the~~

8

1. Never worked in bad bank. Hold bank family close friend [redacted] knows this Sacramento area 1½ to 2 years exp. Hold bank.

b6
b7C

(1)

Call back SAME DAY 9/14

Met walton [redacted]

12-6-83 [redacted]

b6
b7C

set up an appointed with
walton and January 10, 84 briefed
them on the possibilities on moneries
made for trips that year.
ret phoned you June 20 84 they feb 26.
DATE OF PRESENTATION
THEY NOT ACONC.
Parole match 86 the 17 to sanjun
but not likely
August 3rd through the 19 feb
they are with him then both.

I dont to go out again Oct 1st.
5 days barlow walton came in
on his own but a notation

(2)

that to meet him at seiguen he
arrived separately from me. Seiguen
arrived on 10-4th 8:05 AM from Quitman
to meet with Pete Terrio 10:00 A notation
just the two of us. then lunch
with [redacted] SAT? DISCUSSED ANYTHING under table
was along w/ me and governor. present watson
on friday 5th 9:00 AM with [redacted] b6 b7C
might have been the motivation he
dropped of watson at the governor
→ think it was that friday and
lunch with the governor. Me, watson
member of governors family governor & couple
business men from Jasper. 5th.

[COULD HAVE TAKEN PLACE THU 5TH.]

can't remember with did set or not.
AT lunch but opportunity.

FD-340 (Rev. 4-2-85)

Field File No. HN 194B-121-1A3

Serial # of Originating Document _____

OO and File No. 194B HO-121-1A 2

Date Received 9-15-89

From JAMES EDGAR HAWKINS
(Name of Contributor)
11438 WATERVIEW CLUSTER
(Address of Contributor)
RESTON VA
(City and State)

By SA [redacted]
(Name of Special Agent)

b6
b7C

To Be Returned ☐ Yes ☑ No Receipt Given ☐ Yes ☑ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: PEDRO P. TENORIO
ET AL
CSLPO - LOCAL LEVEL

Reference: _____
(Communication Enclosing Material)

Description: ☑ Original notes re interview of
9/15/89 HAWKINS RE:
APPOINTMENT BOOK

HN 194B-121-1A3

9/15

(Red checks only solutions made after interview would answer under oath.

Brought in 1984 appointment book

Receipt given

FD-340 (Rev. 4-2-85)

Field File No. HN 194B-121-1A4

Serial # of Originating Document _____

OO and File No. 194B-HO-121-143/MS

Date Received 9/19/89

From [redacted]
(Name of Contributor)

[redacted]
(Address of Contributor)

[redacted], VA
(City and State)

By [redacted]
(Name of Special Agent)

To Be Returned ☐ Yes ☑ No Receipt Given ☐ Yes ☑ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☑ Yes ☐ No

Title: PEDRO P. TENORIO, GOVERNOR, CNMI, ET AL
CS-LPO - LOCAL LEVEL
OO: HONOLULU

Reference: _____
(Communication Enclosing Material)

Description: ☑ Original notes re interview of
[redacted]

b6
b7C

b6
b7C

HN 194B-121-1A4

NUMRA
9/19/89
TUES
11⁰⁰ A.M

(1)

[redacted]

w/BOB

BACKGROUND 1ST

1.) [redacted]

DOB -
POB -
SSAN [redacted]

b6
b7C

[redacted]

~~HOM~~
WORK [redacted]

MARRIED [redacted]

C/W.

S/L/H ~~HOW LONG~~ JULY 83 ~~BEFORE MERGER~~

~~V.P~~ [redacted] ~~required that~~

~~for 5 yrs.~~

~~orientation to Board of director June of 84.~~

~~in house money manager~~ ~~govt gov't police~~ ~~account libs.~~

b6
b7C

[redacted]

[redacted] WATSON [redacted] ~~TOM HAWKINS~~

[redacted]

→ ~~make~~ presentation to Board.

Watson worked together developing microscopic Brown-Bear volume 2 joined the firm.

Boston > trust the experience Clarks bonds corporate financing etc that's why with Boston not partners

SLC early of 83 together end of 83.
EBLF Board of Directors
> Chairman

[redacted]

b6
b7C

total of 12

much at for each FC.
company known held inter-continental
~~STAPLETON~~ SAIPAN!

Very low rate of return on various Rights.
by U.S. government obligations
Bonds open market.

"ensure the yield with out risk of the risk"

never solicited any commissions, never got the contract requested.

Round contact program.

They agree to go with the program funding

Pending disposal of the contract

which never took place.

wanted to go ahead to as their

CD matured sent the money an

account in the name of EDLF

from 10-1-84 through 4/1 at quarter

of 85 agreed 5 month.

11 can pull statement reflecting last 84 deposits

in comerica have after was

money transferred.

money not the FFH but to a

bank for Hudson etc? negotiated.

Statum would sent as to

come as fed funds transfer instructions

wanted need Name of Bank.

(4)

(2) Banks ~~ABA~~ #

(3) FBO ~~for~~ for Benefit of

(4) CF Hutton

(5) ~~acct #~~ of Bank

(6) For further credit to

(7) name of client.

(8) ~~account #~~ at our office. CF Hutton

---

management fee of 1/2 % to
no commissions/investments/
for travel agent.

~~MC~~ ~~spoken first time~~ 6/84

1.) ~~June~~ ~~wants call~~
~~before~~ ~~returns~~ on
3 MC [redacted] HAWK'V

b6
b7C

2.) ~~hearing~~ on the Hill
~~confirm~~ appropriations
went up to him both
his ~~bond~~ ~~bonus~~ for ~~being~~
~~match~~ this year or last
~~went up~~ ~~not~~ ~~said~~ Hey,

(4.) no.
I never suggest that or hint.
Never suggest or. ~~but the~~ people.
Only 9/10 Questions

~~Hawkins never paid for that~~
~~suggest~~ no.
~~I've paid him on other stuff.~~
~~Marshall Island > client client~~
~~Signed 200 then~~
~~got a check for~~
~~it.~~

~~Hawkins to paid for of contract.~~
~~if they got a contract to~~
~~actually manage the money.~~
~~he would have wanted a percent~~
~~1/2 paid quarterly of 5 years some~~
~~was between 30 & 60,000 question on~~
~~a quarterly Basis.~~
~~but Hawkins got nothing~~
~~why does he deal with Dr & got nothing~~
(1.) ~~I don't get contract know from~~ ~~district~~
~~want the fund to go to of Haw.~~
~~for work he~~

[redacted]

b6
b7C

(6)

(2) want to meet Lynch without Dees ~~the letter from~~ and Lynch to the board

Rank of ~~boss~~ but most of the crooks > and he's but a nuisance ~~with~~ with ~~with~~ Hubbard

[redacted] b6 b7C

~~have any oral agreement about 22 To~~ but oral agreements with him but they were ~~used as scouts~~.

~~Hubbard discovered he~~?

~~management called him down one day as we~~ you ~~not coming back to the office~~ had to do with some client deals.

(A.) ~~gave name and address called Tony. Tony~~ told would be coming ~~you we did~~ on some tips ~~and photostats they~~ blue to H.K. just ~~be~~ and outdoors. ~~out of July~~ 84.

Prepared to [redacted] ~~but a copy and~~ about ~~what Hubbard would do on his Co.~~ b6 b7C

[redacted] WAIT KNOWS SAIPAN

[redacted] SAID

→ HILLCOM founder of DHL interested

DHL sept 84 > DHC offices purpose of

meeting talk about services DHL

could offer ② each movement

subsequent met in new york with

the execs

also talked about BOS malls as well

he and wolsen as well > BOS,

very able to offer service through

Hilton to their clients as well.

1.) > Progress and to put with small

up here where

leading capability.

2. [redacted] was there as well,

[redacted] spoke in Honk.

2 meeting on DHC → with you [redacted]

plus 3 others

in Japan

2nd part of SAIPAN at Hilton

offices > MR BARTON, [redacted] & Hutter

offers new number

manager to open account no. and for
~~[illegible]~~ business of business in London..
~~Geneva Switzerland.~~ NO when in the world
for that Boom.

I have an account > [redacted] b6 b7C
believe he is an ~~[illegible]~~ engineer in
London in the BOT.
account was ~~activated~~
not a condition with. the
London bank.

C) no wanted to be left more
SID Plain officer of bank.

D.) no never met ~~[illegible]~~ personally
definitely did ~~[illegible]~~ be could make
sure I. > doesn't think he
could even do that.

[redacted] b6 b7C
~~[illegible]~~ kind of bank once
~~[illegible]~~ ~~[illegible]~~ no longer
in BA just because by
supporting the governor opposition
on requests of conversion from yes
or letter..

[redacted] once more than 5 would.

b6
b7C

[redacted]

1 million dont think this was right.

at one point I think it was after any money in a mutual fund during the year for each million a 1000 # by the firm semi annully.

1-270 or 495.

10

1.) funders pass on at bond since client get a set percentage of sum owed, & get a penalty.

2.) Commission.

not but $150,000 before expense.

I don't know of civil cases

2nd mortgage

[redacted]

b6
b7C

Field File No. _____

Serial # of Originating Document _____

OO and File No. 194A-~~121-1B~~ HN-121-1A5

Date Received 2/5/90

From SA [redacted] of Contributor)

(Address of Contributor)

[redacted] State)

By SA [redacted] cial Agent)

To Be Returned ☐ Yes ☑ No Receipt Given ☐ Yes ☑ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☑ No

Title:

Reference: _____
(Communication Enclosing Material)

Description: ☐ Original notes re interview of

1) FD-192 showing destruction of documents re 194A-121 1B1 and 1B2.

194B-121-1A5

b6
b7C

Bulky Exhibit - Inventory of Property Acquired as Evidence
FD-192 (Rev. 7-18-85)

Date: 3/2/89

Title and Character of Case

PEDRO A TENORIO, GOVERNOR, CNMI,
ETAA;
CSLPO

Date Property Acquired	Source From Which Property Acquired
1/23/89	US CUSTOMS AGENTS [redacted]

b6
b7C

Location of Property or Bulky Exhibit	Reason for Retention of Property and Efforts Made to Dispose of Same
GRA	INTELLIGENCE

To Be Returned	See Serial	Agent Submitting Property or Exhibit	Agent Assigned Case
☐ Yes ☒ No		SA [redacted]	SA [redacted]

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

US CUSTOMS INVESTIGATIVE REPORTS RE DHL CORPORATION (COPIES)

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two Special Agents Verifying and Sealing Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

BLOCK STAMP

MAR 3 1989

[redacted]

b6
b7C

Field File # 194A-121-182

OO: HN

EVIDENCE (PACKAGE COPY)

b6
b7C

CHAIN OF CUSTODY

Accepted Custody	Date	Time	Released Custody	Date	Time
Signature [redacted]			[redacted]		
Reason Intelligence	1/27/89	10:00 A	To GRA Storage	1/28/89	10:00 A
Signature [redacted]			[redacted]		
Reason GRA STORAGE	1/28/89	10:00 A	To AGENT	1/28/89	12:00 P
Signature [redacted]			[redacted]		
Reason From GRA Storage	1/28/89	12:00 P		5/15/89	9:00 A
Signature [redacted]			Destroyed based on		
Reason Investigative Result	5/15/89	9:00 A	Prosecutive Declination	10/11/89	2:30 P
Signature			ltr in file. JGY		
Reason					

10/11/89

[redacted] AUSA [redacted], Saipan, has declined prosecution on this matter, so I've destroyed the documents.

JGY

[redacted]

Proper notation has been made on Chain of Custody. FD-320 confirming AUSA Declination has been submitted and is in file. 1A Attached. Thats all that is necessary.

JGY

b6
b7C

Signature					
Reason					

Item No. **Remarks**

Destroyed based on AUSA declination and approval for destruction of documents. JGY

Bulky Exhibit - Inventory of Property Acquired as Evidence
FD-192 (Rev. 7-18-85)

Date 3/2/89

Title and Character of Case

PEDRO A TENORIO, GOVERNOR, CNMI, ETAL;
CSLPO

Date Property Acquired	Source From Which Property Acquired
1/23/89	USA O'CONNOR

Location of Property or Bulky Exhibit	Reason for Retention of Property and Efforts Made to Dispose of Same
GRA	INTELLIGENCE

To Be Returned	See Serial	Agent Submitting Property or Exhibit	Agent Assigned Case
☐ Yes ☒ No		SA	SA

b6
b7C

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

COPY OF ANONYMOUS CORRESPONDENCE RE LARRY LEE HILLBLOM

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two Special Agents Verifying and Sealing Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

BLOCK STAMP

MAR 3 1989

b6
b7C

Field File # 194A-121-181

OO: HN

EVIDENCE (PACKAGE COPY)

b6
b7C

CHAIN OF CUSTODY

Accepted Custody	Date	Time	Released Custody	Date	Time
Signature [redacted]			[redacted]		
Reason Intelligence	1/23/89	11:00 A	To GRA Storage	1/23/89	11:00 A
Signature [redacted]			[redacted]		
Reason GRA Storage	1/23/89	12:00 A	To Agent	1/23/89	12:00 P
Signature [redacted]			[redacted]		
Reason From GRA Storage	1/23/89	12:00 P		5/15/89	9:00 A
Signature [redacted]			Destroyed based on		
Reason Investigative Records			Prosecutive Declination. Ltr in file. JGJ	10/11/89	2:30 P
Signature					
Reason					
Signature					
Reason					
Signature					
Reason					
Signature					
Reason					
Signature					
Reason					
Signature					
Reason					

Item No. **Remarks**

Destroyed based on AUSA declining and approval for disposal of evidence and documents. JGJ.

Bulky Exhibit - Inventory of Property Acquired as Evidence
FD-192 (Rev. 7-18-85)

Date 3/2/89

Title and Character of Case

PEDRO A TENORIO, GOVERNOR, CNMI, ETAL;
CSLPO

Date Property Acquired	Source From Which Property Acquired
1/23/89	USA O'CONNOR

Location of Property or Bulky Exhibit	Reason for Retention of Property and Efforts Made to Dispose of Same
GRA	INTELLIGENCE

To Be Returned	See Serial	Agent Submitting Property or Exhibit	Agent Assigned Case
☐ Yes ☒ No		SA	SA

b6
b7C

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

COPY OF ANONYMOUS CORRESPONDENCE RE LARRY LEE HILLBLOM

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two Special Agents Verifying and Sealing Bag Contents _____

_____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

_____ _____ _____

_____ _____ _____

_____ _____ _____

BLOCK STAMP

Indexed Searched Filed

MAR 3 1989

FBI - HONOLULU

Field File # 194A-121-181

OO: HN

ORIGINAL (FILE COPY)

Bulky Exhibit - Inventory of Property Acquired as Evidence
FD-192 (Rev. 7-18-85)

Date 3/2/89

Title and Character of Case

PEDRO A TENORIO, GOVERNOR, CNMI,
ETAL;
CSLPO

Date Property Acquired	Source From Which Property Acquired
1/23/89	US CUSTOMS AGENTS

Location of Property or Bulky Exhibit	Reason for Retention of Property and Efforts Made to Dispose of Same
GRA	INTELLIGENCE

b6
b7C

To Be Returned	See Serial	Agent Submitting Property or Exhibit	Agent Assigned Case
☐ Yes XXNo		SA	SA

☐ Yes XXNo Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

US CUSTOMS INVESTIGATIVE REPORTS RE DHL CORPORATION (COPIES)

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two Special Agents Verifying and Sealing Bag Contents _____

_____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

_____ _____ _____

_____ _____ _____

_____ _____ _____

BLOCK STAMP

MAR 3 1989

Field File # 194A-121-1B2

OO: HN

ORIGINAL (FILE COPY)

FD-36 (Rev. 3-26-82)

FBI

TRANSMIT VIA:
☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS 23 2/13/89
Date ~~1-20-89~~

194B-100
~~206I-129~~

FM FBI HONOLULU (~~194C-NEW~~) (P) (GRA)

TO FBI PHILADELPHIA/ROUTINE/ (194C-485) (CORRECTION PG. 1)

BT

UNCLAS

CITE: //3280:6610// see attached for title

(Insert title)

SUBJECT: Re Philadelphia tel 1/30 of 10/7/87.

ON 9/8/87, BARTON HARRY WATSON, III, INMATE, REGISTRY NUMBER 11385-016, DOB 10/18/60, U.S. BUREAU OF PRISONS, U.S. PENITENTIARY, FARM CAMP, LEWISBURG, PENNSYLVANIA, WAS INTERVIEWED BY WRA SA [redacted]. AT THAT TIME, WATSON PROVIDED INFORMATION ON PUBLIC CORRUPTION IN THE CNMI. SOMETIME IN 10/87, [redacted] INDICATED A WILLINGNESS TO ASSIST THE FBI AND PLANS WERE MADE FOR WATSON TO COME TO GUAM. BECAUSE OF OTHER COMMITMENTS IN THE GRA, THESE PLANS WERE CANCELED. AT THE PRESENT TIME, THE GRA IS INTERESTED IN CONTACTING WATSON TO SEE IF HE IS STILL

b6
b7C

(1) 194B-100
1-206I-129

RMC:dap

Approved: _____ Transmitted 0004 (Number) 6:21 pm (Time) Per 194A-121-2 ~~194B-100-38~~

DAP002W.020

b6
b7C

SSRA

Searched.....
Indexed.....
Serialized.....
Filed.....

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☐ _____

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date _____

^PAGE TWO DE HN (194C-NEW) UNCLAS

INTERESTED IN ASSISTING THE FBI.

LEADS:

PHILADELPHIA DIVISION

AT LEWISBURG, PENNSYLVANIA

WILL CONTACT WATSON AT U.S. PENITENTIARY TO DETERMINE IF WATSON IS AGREEABLE TO ASSISTING THE FBI IN THE INVESTIGATION OF CORRUPTION IN THE CNMI.

BT

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

FORMS.TEXT HAS 1 DOCUMENT

INBOX.1 (#654)

TEXT:
VZCZCPHØØ21

RR HN

DE PH #ØØ21 Ø55Ø544

ZNR UUUUU

R 24Ø63ØZ FEB 89

FM FBI PHILADELPHIA (194C-485) (WRA) (RUC)

TO FBI HONOLULU (194B-1ØØ) (GRA)/ROUTINE/

BT

UNCLAS

CITE: //3620:4288//

SUBJECT: [redacted] BOARD OF DIRECTORS, ECONOMIC DEVELOPMENT LOAN FUND, SIAPAN, CNMI; JAMES E. HAWKINS, DBA COMMONWEALTH PACIFIC CORPORATION, P.O. BOX 96, CAPITOL HILL, RURAL BRANCH, SIAPAN, CNMI; ALPHA ASSOCIATES, INC., P.O. BOX 1Ø3, CAPITOL HILL, RURAL BRANCH, SIAPAN, CNMI; FAG-DOI, OO: HONOLULU.

b6
b7C

RE HONOLULU ROUTINE TELETYPE TO PHILADELPHIA, FEBRUARY 13, 1989.

ON FEBRUARY 15, 1989, REVIEW OF RECORDS, AT THE U.S PENITENTIARY (USP), LEWISBURG, PENNSYLVANIA, REFLECTS THAT INMATE BARTON HARRY WATSON, III, REGISTRY NUMBER 11385-Ø16, FORMERLY

194A-121-3
~~194B-100-39~~

SEARCHED-FOIMS____ INAN____
Indexed__Serialized__ Filed

b6
b7C

FEB 23 1989

FBI - HONOLULU

SSRA/WM/KM
3/29/89
CC TO 194A-121

PAGE TWO DE PH ØØ21 UNCLAS

INCARCERATED AT THE INSTITUTION FARM CAMP WAS TRANSFERRED ON DECEMBER 29, 1988, TO THE FEDERAL PRISON CAMP (FPC), ALLENWOOD, PENNSYLVANIA.

ON FEBRUARY 17, 1989, WATSON WAS CONTACTED AND INTERVIEWED AT THE FPC, ALLENWOOD, BY SA [redacted] PHILADELPHIA DIVISION, AS REQUESTED. b6 b7C

WATSON CONTINUED TO INDICATE A WILLINGNESS TO COOPERATE IN CAPTIONED MATTER. WATSON EXPRESSED FULL COOPERATION WITH HONOLULU DIVISION, GUAM RESIDENT AGENCY, HOWEVER, REQUESTS THAT ANY WRIT OR SUBPOENA TRANSFER OCCUR AFTER HIS PAROLE DATE SCHEDULED FOR MAY 29,1989. THIS WILL ELIMINATE THE NECESSITY OF HOUSING WATSON WHILE A FEDERAL PRISONER WITHIN THE GUAM JAIL. WATSON TENTATIVELY, UPON PAROLE RELEASE, WILL RESIDE IN CARE OF [redacted] MICHIGAN, [redacted] TELEPHONE [redacted] OR CAN BE REACHED THROUGH HIS ATTORNEY, [redacted] NEW YORK, NEW YORK, TELEPHONE [redacted] b6 b7C

BT

#ØØ21

NNNN

INBOX.6 (#634)

TEXT:
VZCZCPHØ011

PP HN

DE PH #ØØ11 Ø76Ø1Ø7

ZNR UUUUU

P Ø3Ø2ØZ MAR 89

FM FBI PHILADELPHIA (194C-485) (WRA) (RUC)

TO FBI HONOLULU (194B-1ØØ) (GRA)/PRIORITY/

BT

UNCLAS

CITE: //3620:4288//

SUBJECT: [redacted] BOARD OF DIRECTORS, ECONOMIC DEVELOPMENT LOAN FUND, SIAPAN, CNMI; JAMES E. HAWKINS, DBA COMMONWEALTH PACIFIC CORPORATION, P.O. BOX 96, CAPITOL HILL, RURAL BRANCH, SIAPAN, CNMI; ALPHA ASSOCIATES, INCORPORATED, P.O. BOX 1Ø3, CAPITOL HILL, RURAL BRANCH, SIAPAN, CNMI; FAG-DOI; OO:HONOLULU.

RE HONOLULU, GUAM RESIDENT AGENCY (GRA), TELCALL OF SPECIAL AGENT (SA) [redacted] TO PHILADELPHIA, WILLIAMSPORT RESIDENT AGENCY (WRA), SA [redacted] 3/15/89; AND PHILADELPHIA DIVISION TELCALL TO HONOLULU DIVISION, 3/16/89.

b6
b7C

194A-121-4
~~194B-100~~

MAR 16 1989
FBI - HONOLULU
SSRA
3/24/89

ON MARCH 16, 1989, JOSEPH P. CLASS, SUPERINTENDENT, U.S. BUREAU OF PRISONS, FEDERAL PRISON CAMP (FPC), ALLENWOOD, PENNSYLVANIA, WAS CONTACTED PER REQUEST AND AUTHORIZED TELEPHONE CALL OCCUR BETWEEN SA [redacted] HONOLULU DIVISION, GRA, AND INMATE BARTON HARRY WATSON, III, REGISTRY NUMBER 11385-Ø16, INCARCERATED AT THAT INSTITUTION. b6 b7C

FPC AUTHORITIES HAVE SCHEDULED WATSON TO BE ON STANDBY AWAITING SA [redacted] TELCALL TO OCCUR 5:ØØ P.M. EASTERN STANDARD TIME, MARCH 16, 1989 (8:ØØ A.M., MARCH 17, 1989, GUAM TIME) THROUGH TELEPHONE NUMBER (717) 547-1641, EXTENSION 243.

SA [redacted] SHOULD PLACE TELEPHONE CALL PUNCTUALLY TO ALLEVIATE PROBLEMS IN REACHING WATSON.

ON SAME DATE WATSON WAS CONTACTED BY SA [redacted] WRA, AND APPRISED OF SCHEDULED TELCALL OF SA [redacted] WATSON AGAIN EXPRESSED FULL COOPERATION WITH HONOLULU DIVISION, GRA, IN CAPTIONED MATTER. b6 b7C

HONOLULU DIVISION WILL IMMEDIATELY TELEPHONE SA [redacted] [redacted] GRA, RE THE ABOVE.

BT

#ØØ11

NNNN

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 3/06/89

On January 23, 1989, U.S. CUSTOMS Agents [redacted] and [redacted] provided Special Agent [redacted] with excerpts of their investigative files on the DHL CORPORATION. These can be found in the IB Section of this file.

b6
b7C

1/23/89 | Agana, Guam | HN 194A-121 - 5

Investigation on _____ at _____ File # _____

by SA [redacted] bds fmc Date dictated 3/02/89

b6
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 3/6/89

On January 23, 1989, Guam United States Attorney K. WILLIAM O'CONNOR provided Special Agent [redacted] with a copy of an anonymous correspondence providing details on LARRY LEE HILLBLOM, DHL CORPORATION and the BANK OF SAIPAN. The correspondence was received by the DEPARTMENT OF JUSTICE in 1987. The copy can be found in the IB Section of this file.

b6
b7C

Investigation on 1/23/89 at Agana, Guam File # HN 194A-121 - 6

by SA [redacted] :bds anc Date dictated 3/02/89

b6
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

1

01/23/89

Date of transcription

[redacted] BANK OF SAIPAN, contacted Special Agent (SA) [redacted] at the Guam Resident Agency, FEDERAL BUREAU OF INVESTIGATION. He was returning SA [redacted] call to him in San Francisco.

[redacted] stated that he is [redacted] of BANK OF SAIPAN and will remain so until a replacement for him can be located. He is leaving the bank and returning to his home in San Francisco because he and his wife found Saipan to be a difficult place to live. He stated that the BANK OF SAIPAN was a legitimate bank, but was not subject to Federal regulations. He volunteered that the bank did not knowingly launder money.

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[redacted] advised that he would be returning to Saipan in mid-February. He stated that he would call SA [redacted] then and he agreed to a face-to-face interview. [redacted] gave [redacted] as his contact telephone number in San Francisco.

Investigation on 01/23/89 at Agana, Guam File # HN 194A-121-6X1

by SA [redacted]:dap/pnc Date dictated 01/23/89

b6
b7C

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FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☒ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 4-6-89

FM FBI HONOLULU (194A-121) (P) (GRA)

TO DIRECTOR FBI/PRIORITY/

BT

UNCLAS

CITE: //3280:6610//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. ~~HILLBLOM~~ HILLBLOOM, DBA BANK OF SAIPAN (BOS); [redacted], ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; [redacted] BOARD OF DIRECTORS (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - STATE LEVEL; OO: HONOLULU.

b6
b7C

CAPTIONED CASE INITIATED AN ALLEGATION BY E.F. HUTTON EMPLOYEE THAT SOMETIME IN 1984/1985, GOVERNOR PEDRO P. TENORIO

RMC:dap
(1)

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b7C

Approved: _____ Transmitted 0006 6:24 pm Per dap
(Number) (Time)

194A-121-7

DAP001W.096

Searched.....
Indexed.....
Serialized.....
Filed.....

[redacted] mc
SSRA

SSA [redacted]

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE TWO DE HN (194A-121) UNCLAS

DEMANDED A $10,000 PAYMENT IN RETURN FOR HIS APPROVING THE DEPOSIT OF $7,000,000 OF FEDERAL FUNDS WITH E.F. HUTTON. FD-761 AND LHM TO FOLLOW.

THE INVESTIGATION IS IN ITS EMBRYONIC STAGES AND NO MEDIA INQUIRIES ARE ANTICIPATED DUE TO THE FACT THAT THE INVESTIGATION IS CURRENTLY BEING CONDUCTED COVERTLY.

BT

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

U.S. Department of Justice

Federal Bureau of Investigation

Honolulu, Hawaii

March 28, 1989

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, doing business as
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, also known as
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - STATE LEVEL

b6
b7C

On September 9, 1987, BARTON HARRY WATSON, III, an inmate at the Lewisburg, Pennsylvania, Federal Penitentiary, voluntarily provided information on a conspiracy on the part of himself, [redacted], LARRY L. HILLBLOM, Commonwealth of the Northern Mariana Islands (CNMI) Governor PEDRO P. TENORIO, ECONOMIC DEVELOPMENT LOAN FUND (EDLF) [redacted] and JAMES E. HAWKINS, to use the $7,000,000 of the EDLF to provide income to the BANK OF SAIPAN (BOS).

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WATSON advised that in 1984, he and [redacted] both Account Executives at E.F. HUTTON, met HAWKINS, an individual with many connections in Micronesia. Through HAWKINS, they were introduced to many individuals in the CNMI, including [redacted] the Board of the EDLF. The EDLF was a CNMI agency responsible for giving low-interest loans to CNMI residents. It

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4 - Bureau
2 - Honolulu

RMC:po
(6)

194P-21-8
Searched
Indexed
Serialized
Filed

FBI/DOJ

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS (CNMI):

was funded with Federal funds and currently had $7,000,000 invested with the BANK OF GUAM at a very low rate of return. WATSON and [redacted] set about to make a formal proposal to the EDLF Board of Directors to have the $7,000,000 invested with E.F. HUTTON at a higher rate of return.

WATSON advised that shortly after meeting [redacted] suggested that he be retained as a consultant in order to facilitate E.F. HUTTON's obtaining the EDLF investment. WATSON and [redacted] entered into an agreement with [redacted] to this effect. Over the next year, WATSON and [redacted] worked to obtain the EDLF investment. However, even with [redacted] help, they were unable to obtain the investment. b6 b7C

WATSON further advised that throughout the course of their travels to the CNMI, he and [redacted] became friendly with HILLBLOM, who controlled the BOS. During one of their trips to Saipan, CNMI, HILLBLOM, over a two day period, taught WATSON and [redacted] how business was done on Saipan - political influence was directly tied into doing business on Saipan and favorable political influence required a piece of the action or cash compensation. b6 b7C

WATSON recalled that during one trip in which he and [redacted] went to Saipan, they were informed by HILLBLOM and executives of the BOS that they desired, on behalf of the bank's clients, to obtain investments and securities solely in the bank's name without divulging the identities of the clients and to hold the investments and securities outside of the United States. WATSON advised that the purpose and motivation would be to circumvent the United States income tax, to prevent embarrassment caused by the considerable amount of wealth held by the Saipan clients and to alleviate or hide the concept of constructive receipt. WATSON and [redacted] explored, and were ultimately successful, in booking this business activity for E.F. HUTTON through their London, England, and Geneva, Switzerland, offices. b6 b7C

WATSON and [redacted] were unsuccessful in obtaining the EDLF investment until HILLBLOM, who had no involvement with the EDLF, intervened. During an October, 1984, trip to Saipan, HILLBLOM told WATSON and [redacted] that for E.F. HUTTON to get the EDLF investment, the BOS would have to be an intermediary. In effect, the BOS would be skimming interest off the investment with E.F. HUTTON. HILLBLOM and HAWKINS both told them that everything b6 b7C

was taken care of with Governor TENORIO. Additionally, [redacted] asked WATSON for $40,000 and for the cost of his daughter's tuition at a California school to be taken care of. This was to be his compensation as a consultant. WATSON later met with TENORIO, who confirmed HILLBLOM's arrangements and further demanded that E.F. HUTTON open an account in his name with $10,000 supplied by E.F. HUTTON.

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In December, 1984, the EDLF invested approximately $7,000,000 with E.F. HUTTON.

On January 16, 1989, Guam United States Attorney K. WILLIAM O'CONNOR and Assistant United States Attorney [redacted] advised that if the above allegations could be substantiated, they would prosecute the above individuals in the District of the Northern Mariana Islands for Title 18, United States Code, Section 371, Conspiracy to Defraud the United States; Section 1341, Mail Fraud; Section 1343, Fraud By Wire; and Section 1951, Hobbs Act.

FD-761 (8-8-88)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☒ AIRTEL

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date 03/28/89

To : Director, FBI (Attention: Criminal Investigative Division)
From : SAC, HONOLULU (194A-121) (P) (GRA)
Subject : Public Corruption Data Transmittal Form

1. **Title:** *(use additional page if necessary)*
PEDRO P. TENORIO, GOVERNOR,
COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS (CNMI);
Re:

2. ☒ **Enclosed are the original and three copies of a LHM for dissemination purposes.** *(check if appropriate)*

3. **Office of Origin File No.** 194A - 121 *(include alpha)*

4. ☒ **Initial submission** ☐ **Supplemental submission** *(check one)*

5. **Date opened upon SAC authority** 03/17/89

6. **Level of subject official** *(See codes on reverse. Use additional pages, as necessary, for additional subjects.)*

Level	L01	Number of Subject(s)	1
Level	L09	Number of Subject(s)	1
Level		Number of Subject(s)	

7. **Indicate which of the following investigative techniques have been utilized to date.** *(check all appropriate boxes)*

Code Number / Description		Code Number / Description	
Z1	☐ Acct. Tech. Assist.	Z14	☐ Pen Registers
Z2	☐ Aircraft Assist.	Z15	☐ Photo Coverage
Z3	☐ Computer Assist.	Z16	☐ Polygraph Assist.
Z4	☐ Consensual Monitoring	Z17	☐ Search Warrants Use
Z5	☐ Elsur - FISC	Z18	☐ Show Money Use
Z6	☐ Elsur - Title III	Z19	☐ Surveillance Squad Use
Z7	☐ Eng. Sect. Field Support	Z20	☐ Swat Team
Z8	☐ Eng. Sect. Tape Exams	Z21	☐ Tech. Agent
Z9	☐ Hypnosis Assist.	Z22	☐ Telephone Toll Records
Z10	☐ Ident Div. Assist.	Z23	☐ Group I UCO
Z11 (A)	☐ Symboled Informant	Z24	☐ Group II UCO
Z11 (B)	☐ Cooperating Witness	Z25	☐ Undercover - Other
Z11 (C)	☐ Cooperating Subject	Z26	☐ NCAVG/VI - CAP
Z12	☐ Lab. Div. Exams	Z27	☐ VIA
Z13	☐ Lab. Div. Field Support		

(2) Field Office
(3) FBIHQ
(1 - White-Collar Crimes Section, Public Corruption Unit)

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

194A-121-9
Searched _____
Indexed _____
Serialized _____
Filed _____

SSA [illegible]

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b7C

FBI/DOJ

LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - STATE LEVEL

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b7C

8. **Type of Corruption Investigated** *(check all appropriate boxes)*

Code Number/Description		Code Number/Description	
(A)	Judicial Corruption	(B)	Legislative Corruption
A1 ☐	Federal	B1 ☐	Federal
A2 ☐	State	B2 ☐	State
A3 ☐	Local	B3 ☐	Local
A4 ☐	Territorial	B4 ☐	Territorial
(C)	Contract Corruption	(D)	Regulatory Corruption
C1 ☒	Federal	D1 ☐	Federal
C2 ☐	State	D2 ☐	State
C3 ☐	Local	D3 ☐	Local
C4 ☐	Territorial	D4 ☐	Territorial
(E)	Law Enforcement Corruption		
E1 ☐	Federal		
E2 ☐	State		
E3 ☐	Local		
E4 ☐	Territorial		

9. **Does corruption involve drug related activity?** *(check one)* ☐ Yes ☒ No

10. **Statistical Accomplishments** *(number since last submission)*

A. Complaints	_____	F. Acquittal	_____
B. Informants	_____	G. Recoveries	_____
C. Indictments	_____	H. Restitutions	_____
D. Convictions	_____	I. Potential Economic Loss Prevented	_____
E. Pre-trial Diversions	_____		

11. **Forfeiture Provisions Utilized** *(check one)* ☐ Yes ☒ No

12. **Status of Case** *(check one)*

- ☐ Pending Preliminary Inquiry
- ☒ Pending Full Investigation
- ☐ Closed

13. **Basis for Closing** *(check one)*

- ☐ U.S. Attorney Declination
- ☐ Dismissal
- ☐ Acquittal
- ☐ Conviction
- ☐ Administrative by SAC (no other basis involved)

Additional Administrative Data *(if needed)*:

Memorandum

To : SAC, HONOLULU (194A-New) (P) (GRA) Date 2/15/89

From : SA [redacted]

Subject : STATUS OF IRS INVESTIGATION IN GUAM/CNMI

On 2/1/89, writer was contacted by SA [redacted] IRS, Washington, D.C., telephone number [redacted]. [redacted] advised that in approximately 4/88, he was attempting to obtain the Federal tax return of a California resident. The return had not been filed with the IRS. The IRS was informed that it was filed in the CNMI because the taxpayer was now a citizen of the CNMI. [redacted] went to Saipan and attempted to get the return. He was told by the officials there that the IRS had no jurisdiction in the CNMI and they would not give him the return. [redacted] advised that the IRS Legal Counsel decided not to pursue the matter unless information could be obtained showing criminal activity on the part of the taxpayer. The IRS has no ongoing investigation at this time.

b6
b7C

RMC:dap/po
(2)

1*

194A-121-10
SEARCHED-INDEXED MAIL
Indexed Serialized Filed
MAR 6 1989
FBI - HONOLULU
[redacted]
SSRA

b6
b7C

HN 194A-NEW
RMC:dap

1

On January 17, 1989, Special Agent [redacted], conducted the following investigation in Agana, Guam:

Special Agent [redacted] called the BANK OF SAIPAN in Saipan at 670-234-7694. He was advised by an unidentified male that [redacted] was off-island for another month. [redacted] was in Hawaii for a week. [redacted] home telephone number is [redacted]

b6
b7C

HN 194A-121-11

Memorandum

To : SAC, HONOLULU (194A-NEW) (P) (GRA)

Date 3/8/89

From : SA [redacted] RMC

Subject : PEDRO A. TENORIO,
GOVERNOR,
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS,
Et Al;
CSLPO
OO: HONOLULU

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On March 6, 1989, Special Agent [redacted] was advised by U.S. CUSTOMS Agent [redacted] that INTERNAL REVENUE SERVICE Agent [redacted] had advised him that [redacted] or [redacted] FEDERAL DEPOSIT INSURANCE COMPANY, San Francisco, [redacted], would be able to provide information on the regulations and reporting requirements applicable to the BANK OF SAIPAN.

(X)
RMC

194A-121-12

SEARCHED-FOIMS MAN
Indexed Serialized Filed
APR 1989
FBI - HONOLULU
RMC

[redacted]

SSRA

RMC:bds
(2)

1*

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INBOX.3 (#299)

TEXT:

VZCZCHQ0276

PP HN

DE HQ #0276 1181649

ZNR UUUUU

P 272323Z APR 89

FM DIRECTOR FBI

TO FBI HONOLULU (194A-121) (GRA)/PRIORITY/

BT

UNCLAS

CITE: //0622//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOS); [redacted], ACCOUNT EXECUTIVE, E. F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E. F. HUTTON, INC., [redacted], [redacted] BOARD OF DIRECTORS (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - STATE LEVEL; OO: HONOLULU.

REFERENCE HONOLULU TELETYPE TO FBIHQ DATED APRIL 13, 1989, AND TELCAL OF SSA [redacted], FBIHQ, TO SSA [redacted], HONOLULU, APRIL 21, 1989.

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194A-121-14
SEARCHED-FOIMS MAN
Indexed Serialized Filed
APR 29 1989
FBI - HONOLULU

SA [redacted] advised of above, 5/1/89. ats

#3

SSRA [redacted]

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REFERENCED HONOLULU TELETYPE REQUESTED FBIHQ AND DEPARTMENT OF JUSTICE (DOJ), OFFICE OF ENFORCEMENT OPERATIONS (OEO) AUTHORITY TO CONDUCT CONSENSUAL MONITORING UTILIZING FEDERAL INMATE BARTON HARRY WATSON, III, REGISTRY NUMBER 11385-Ø16. THIS REQUEST NOTED THAT THE INVESTIGATIVE PLAN REQUIRED WATSON'S FURLOUGH FOR A ONE-WEEK PERIOD, DURING WHICH HE WOULD NOT BE GUARDED EXCEPT FOR SECURITY REASONS, AND THAT FBI SAS WOULD BE AWARE OF WATSON'S LOCATION AND ACTIVITIES AT ALL TIMES.

ON APRIL 21, 1989, [redacted], OEO, DOJ, ADVISED THAT OEO/DOJ HAD CONTACTED THE U.S. BUREAU OF PRISONS (BOP) AND DETERMINED WATSON HAS RECENTLY BEEN THE SUBJECT OF SEVERAL BOP INCIDENT REPORTS. BASED UPON HIS RECENT ACTIVITIES DURING CONFINEMENT, BOP WILL NOT AUTHORIZE WATSON'S RELEASE ON FURLOUGH WITHOUT HIS BEING GUARDED CONTINUOUSLY BY FBI SAS DURING DAYLIGHT HOURS AND INCARCERATED IN A FEDERALLY APPROVED FACILITY OVERNIGHT.

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IN REFERENCED TELCAL OF APRIL 21, 1989, HONOLULU WAS ADVISED OF BOP'S REQUIREMENTS FOR RELEASE OF WATSON FOR USE IN THIS MATTER.

IN VIEW OF THE ABOVE, CONSENSUAL MONITORING AUTHORITY IS DENIED AT THIS TIME. HONOLULU SHOULD RESUBMIT A NEW CONSENSUAL MONITORING REQUEST TO FBIHQ, ATTENTION: PUBLIC CORRUPTION UNIT (PCU), SHOULD HONOLULU DECIDE TO CHANGE ITS SCENARIO TO COMPLY WITH BOP RESTRICTIONS FOR USE OF WATSON IN CONSENSUAL MONITORING.

QUESTIONS REGARDING THIS MATTER MAY BE DIRECTED TO SSA [redacted] PCU, EXTENSION 57Ø1.

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BT

#Ø276

NNNN

Memorandum

To : SAC, HONOLULU (194A-121) (P) (GRA) Date 5/10/89

From : SA [redacted] r

Subject : REASSIGNMENT OF CASES] get case caption

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b7C

On 5/19/89, writer will depart Guam for annual physical in Honolulu and then proceed to Santa Ana, California for the trial of [redacted]. Writer expects to be off island until mid August 1989. Consequently, the following case is being reassigned to Special Agent [redacted]:

194A-121

2 - Honolulu
RMC:bds
(2) 1*

5/30/89
clw

Reassign to →

[redacted]

SSA

5/19/89

194A-121-15
SEARCHED [redacted] INDEXED
Indexed Serialized Filed
MAY 1 ? 1989
FBI - HONOLULU

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HN 194A-121
RAM:dea

1

On May 25, 1989, [redacted] advised that, in source's opinion, the recent appointment by Commonwealth of the Northern Mariana Islands (CNMI) Governor PETE TENORIO of CNMI Attorney General ALEX CASTRO to be a CNMI Superior Court Judge, was a move by the Governor to protect he and his cronies from any future prosecution in the CNMI. Source has no knowledge of any criminal activity on the part of the CNMI Governor or his cronies, but suspects they have been involved in such activities.

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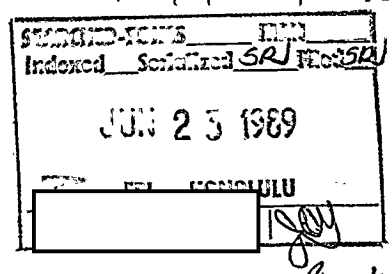
b7D

194A-121 - 15X1



b6
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FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☒ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 6/14/89

FM FBI HONOLULU (194A-121) (SPNRA) (P) corrections pg. 3

TO FBI PHILADELPHIA (194C-485) (WRA)/PRIORITY/

BT

UNCLAS

CITE: //3280:6610//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; [redacted] BOARD OF DIRECTORS (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - STATE LEVEL; OO: HONOLULU.

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ON 9/9/87, BARTON HARRY WATSON, III, CURRENTLY INCARCERATED AT THE FEDERAL PRISON CAMP, ALLENWOOD, PENNSYLVANIA, DOB

JDG:lnt
(1)

Approved: 6/16/89 Transmitted 0007 (Number) 7:16 pm (Time) Per

194A-121-16

Searched.....
Indexed.....
Serialized.....
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LNT003W.165

[redacted]
55RA

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE TWO DE HN (194A-121) UNCLAS

10/18/60, SSAN 381-78-3111, U.S. BUREAU OF PRISONS REGISTRY NUMBER 11385-016, AND WHO IS SCHEDULED TO BE RELEASED FROM THE FEDERAL PRISON CAMP ON 6/29/89, PROVIDED INFORMATION ON A CONSPIRACY ON THE PART OF HIMSELF AND SUBJECTS AS LISTED ABOVE TO USE $7,000,000.00 OF THE EDLF TO PROVIDE INCOME TO THE BANK OF SAIPAN (BOS).

WATSON ADVISED THAT IN 1984, HE AND [redacted] BOTH ACCOUNT EXECUTIVES AT E.F. HUTTON, MET HAWKINS, AN INDIVIDUAL WITH MANY CONNECTIONS IN MICRONESIA. THROUGH HAWKINS, THEY WERE INTRODUCED TO MANY INDIVIDUALS IN THE CNMI, INCLUDING [redacted] [redacted] OF THE EDLF. THE EDLF WAS A CNMI AGENCY RESPONSIBLE FOR GIVING LOW INTEREST LOANS TO CNMI RESIDENTS. IT WAS FUNDED WITH FEDERAL MONEY AND HAD $7,000,000.00 INVESTED WITH THE BANK OF GUAM AT A VERY LOW INTEREST RATE. WATSON AND [redacted] CONVINCED THE EDLF BOARD OF DIRECTORS TO INVEST THE $7,000,000.00 WITH E. F. HUTTON, AT A HIGHER RATE OR RETURN.

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WATSON ADVISED THAT SHORTLY AFTER MEETING [redacted] SUGGESTED THAT HE BE RETAINED AS A CONSULTANT IN ORDER TO FACILITATE E.F. HUTTON'S ATTAINING THE EDLF INVESTMENT. WATSON AND [redacted] ENTERED INTO AN AGREEMENT WITH [redacted] TO THIS EFFECT.

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(Number) (Time)

FD-36 (Rev. 8-26-82)

FBI

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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
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Date _____

^PAGE THREE DE HN (194A-121) UNCLAS

OVER THE NEXT YEAR, WATSON AND [redacted] WORKED TO OBTAIN THE EDLF INVESTMENT. HOWEVER, EVEN WITH [redacted] HELP, THEY WERE UNABLE TO OBTAIN THE INVESTMENT.

THROUGHOUT THE COURSE OF THEIR TRAVELS TO THE CNMI, WATSON AND [redacted] BECAME FRIENDLY WITH HILLBLOM, WHO CONTROLLED THE BOS. DURING ONE OF THEIR TRIPS TO SAIPAN, HILLBLOM TOLD THE MEN THAT POLITICAL INFLUENCE WAS DIRECTLY TIED INTO DOING BUSINESS ON SAIPAN AND FAVORABLE POLITICAL INFLUENCE REQUIRED A PIECE OF THE ACTION OR CASH COMPENSATION.

WATSON AND [redacted] WERE UNSUCCESSFUL IN OBTAINING THE EDLF INVESTMENT UNTIL HILLBLOM, WHO HAD NO INVOLVEMENT WITH THE EDLF, INTERVENED. DURING AN 10/84 TRIP TO SAIPAN, HILLBLOM TOLD WATSON AND [redacted] THAT FOR E.F. HUTTON TO GET THE EDLF INVESTMENT, THE BOS WOULD HAVE TO BE AN INTERMEDIARY. HILLBLOM AND HAWKINS BOTH TOLD WATSON AND [redacted] THAT EVERYTHING WAS TAKEN CARE OF WITH GOVERNOR TENORIO. ADDITIONALLY, [redacted] ASKED WATSON FOR $40,000.00 FOR THE COST OF HIS DAUGHTER'S EDUCATION. THIS WAS TO BE HIS COMPENSATION AS A CONSULTANT. WATSON LATER MET WITH GOVERNOR TENORIO, WHO CONFIRMED HILLBLOM'S ARRANGEMENTS AND FURTHER DEMANDED THAT E.F. HUTTON OPEN AN ACCOUNT IN GOVERNOR

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☐ Immediate
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CLASSIFICATION:
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☐ UNCLAS

Date _____

^PAGE FOUR DE HN (194A-121) UNCLAS

TENORIO'S NAME WITH $10,000.00 SUPPLIED BY E.F. HUTTON. IN 12/84, THE EDLF INVESTED $7,000,000.00 WITH E.F. HUTTON. HOWEVER, SHORTLY THERAFTER, THE EDLF BOD WITHDREW THE FUNDS FROM E.F. HUTTON AND REDEPOSITED THEM INTO BANK OF GUAM ACCOUNTS. OBVIOUSLY, WATSON MAY HAVE BEEN MOTIVATED TO MAKE THE ABOVE ALLEGATIONS IN ORDER TO SECURE AN EARLY RELEASE FROM PRISON. HOWEVER, HIS CONTINUED COOPERATION IS PARAMOUNT TO SUCCESSFUL RESOLUTION OF THE CAPTIONED MATTER BECAUSE TRADITIONAL INVESTIGATIVE TECHNIQUES HAVE BEEN INEFFECTIVE TO DATE. HAWKINS, [redacted] AND [redacted] HAVE ALL BEEN INTERVIEWED AND ALL DENY ANY WRONGDOING OR IMPROPRIETIES. DURING PRIOR CONTACTS WITH THE FBI, WATSON HAS AGREED TO ENGAGE SUBJECTS OF THIS INVESTIGATION IN CONVERSATIONS REGARDNG THEIR CONSPIRACY AND TO HAVE THESE PRIVATE CONVERSATIONS RECORDED ELECTRONICALLY. CAPTIONED MATTER HAS BEEN DISCUSSED WITH CNMI AUSA [redacted] WHO WILL PROSECUTE THE MATTER IF THE ALLEGATIONS CAN BE SUBSTANTIATED.

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LEADS: PHILADELPHIA DIVISION AT ALLENWOOD, PENNSYLVANIA: WILL CONTACT WATSON PRIOR TO HIS RELEASE FROM CUSTODY OF U.S. BUREAU OF PRISONS AND ASCERTAIN TO WHAT EXTENT HE IS WILLING TO COOPERATE WITH THE FBI FOLLOWING HIS RELEASE FROM PRISON. IF HE

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FD-36 (Rev. 8-26-82)

FBI

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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE FIVE DE HN (194A-121) UNCLAS

AGREES TO COOPERATE, DETAILS REGARDING HIS INTENDED WHEREABOUTS OVER THE NEXT 6 MONTHS SHOULD BE SECURED SO REINTERVIEW CAN BE SCHEDULED.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

INBOX.2 (#537)

TEXT:
VZCZCPHO032

RR HN

DE PH #0032 1922255

ZNR UUUUU

R 112340Z JUL 89

FM FBI PHILADELPHIA (194A-HN-121) (WRA) (RUC)

TO FBI HONOLULU (194A-HN-121) (SPNRA)/ROUTINE/

BT

UNCLAS

CITE: //3620:4288//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E. F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA, ACCOUNT EXECUTIVE, E. F. HUTTON; [redacted], BOARD OF DIRECTORS, ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - STATE LEVEL, OO: HONOLULU.

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RE HONOLULU PRIORITY TELETYPE TO PHILADELPHIA, JUNE 14, 1989.

FOR INFORMATION OF HONOLULU DIVISION, BARTON HARRY WATSON,

Roty #5

#5 AR

194A-121-17
SEARCHED.....INDEXED.....
Indexed Serialized ek Filed ek
JUL 1 1989
FBI HONOLULU

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[redacted]

SSRA

III, INMATE, REGISTRY NUMBER 11385-Ø16, INCARCERATED AT THE FEDERAL PRISON CAMP (FPC), ALLENWOOD, PENNSYLVANIA, IS SCHEDULED FOR MANDATORY RELEASE ON JULY 28, 1989, FROM THAT INSTITUTION.

ON JULY 11, 1989, WATSON WAS CONTACTED AND EXPRESSED FULL COOPERATION AS A GOVERNMENT WITNESS IN CAPTIONED MATTER. UPON WATSON'S PRISON RELEASE HE WILL RESIDE IN CARE OF [redacted] [redacted] MICHIGAN, [redacted] TELEPHONE [redacted] AND IN ADDITION CAN BE REACHED THROUGH HIS ATTORNEY, [redacted] NEW YORK, NEW YORK, TELEPHONE [redacted].

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THIS INFORMATION AND WATSON'S CONTINUED WILLINGNESS TO COOPERATE REGARDING POLITICAL CORRUPTION IN THE NORTHERN MARIANA ISLANDS HAS PREVIOUSLY BEEN FURNISHED BY TELETYPES TO HONOLULU DATED FEBRUARY 23, 1989 AND MARCH 16, 1989, UNDER CAPTION [redacted] [redacted] BOARD OF DIRECTORS, ECONOMIC DEVELOPMENT LOAN FUND, SAIPAN, CNMI; JAMES E. HAWKINS, DBA COMMONWEALTH PACIFIC CORPORATION, P.O. BOX 96, CAPITOL HILL, RURAL BRANCH, SAIPAN, CNMI, ALPHA ASSOCIATES, INCORPORATED, P.O. BOX 1Ø3, CAPITOL HILL, RURAL BRANCH, SAIPAN, CNMI; FAG-DOI, OO: HONOLULU. (194B-HN-1ØØ)."

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NNNN

U.S. Department of Justice

Federal Bureau of Investigation

Honolulu, Hawaii
August 1, 1989

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - LOCAL LEVEL

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Investigation into the captioned matter was initiated by the Honolulu Division of the Federal Bureau of Investigation (FBI) after BARTON HARRY WATSON, III, an inmate at the FEDERAL PENITENTIARY located at Lewisburg, Pennsylvania, voluntarily provided information of a conspiracy on the part of himself, [redacted] LARRY L. HILLBLOM, Commonwealth of the Northern Mariana Islands (CNMI) Governor PEDRO P. TENORIO, ECONOMIC DEVELOPMENT LOAD FUND (EDLF) [redacted], and JAMES E. HAWKINS, to use $7,000,000.00 of EDLF funds to provide income to the BANK OF SAIPAN (BOS).

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WATSON advised that in 1984, he and [redacted] both account executives at E.F. HUTTON (EFH), met HAWKINS, an individual with many connections in Micronesia. Through HAWKINS, they were introduced to many individuals in the CNMI, including

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

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4 - Bureau
2 - Honolulu
JDG:rg
(6)

[redacted]
SSA

[redacted]
SSA

Searched
Indexed
Serialized
Filed

FBI/DOJ

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;

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[redacted] of the EDLF. The EDLF was a CNMI agency responsible for giving low interest loans to CNMI residents. It was funded with federal money and had $7,000,000.00 invested with the BANK OF GUAM at a very low interest rate. WATSON and [redacted] convinced the EDLF Board of Directors to invest the $7,000,000.00 with EFH at a higher rate of return.

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Shortly after meeting [redacted] suggested to WATSON that [redacted] be retained as a consultant in order to facilitate EFH's attaining the EDLF investment. WATSON and [redacted] entered into an agreement with [redacted] to this effect. Over the next year, WATSON and [redacted] worked to obtain the EDLF investment. However, they were unable to obtain the investment.

Throughout the course of their travels to the CNMI, WATSON and [redacted] became friendly with HILLBLOM, who controlled the BOS. During one of their trips to Saipan, HILLBLOM told the men that political influence was directly tied into doing business on Saipan and favorable political influence required a piece of the action or cash compensation.

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WATSON and [redacted] were unsuccessful in obtaining the EDLF investment until HILLBLOM, who had no involvement with the EDLF, intervened. During an October, 1984, trip to Saipan, HILLBLOM told WATSON and [redacted] that for EFH to get the EDLF investment, the BOS would have to be an intermediary. HILLBLOM and HAWKINS both told WATSON and [redacted] that everything was taken care of with Governor TENORIO. Additionally, [redacted] asked WATSON for $40,000.00 for the cost of his daughter's education. This was to be his compensation as a consultant. WATSON later met

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;

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b7C

with Governor TENORIO, who told WATSON that HILLBLOM had made arrangements for the EDLF fund to be invested with EFH and demanded that EFH open an account in the Governor's name with $10,000.00 supplied by EFH. In December, 1984, the EDLF invested $7,000,000.00 with EFH. However, shortly thereafter the EDLF Board of Directors withdrew the funds from EFH and redeposited the funds into the BANK OF GUAM account.

Although it is possible that WATSON may have been motivated to make the above allegations in order to secure an early release from prison, WATSON was re-contacted by the FBI on July 11, 1989, just prior to his mandatory release scheduled for July 28, 1989. WATSON expressed his full cooperation as a government witness in the investigation and further advised that upon his release from prison he would reside in the care of [redacted] Michigan, telephone number [redacted]. WATSON further stated that he could be reached through his attorney, [redacted] New York, New York, telephone number [redacted].

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HAWKINS, [redacted] and [redacted] have all been interviewed and all deny any wrongdoing or improprieties. Because traditional investigative techniques have been ineffective to-date, WATSON's cooperation is paramount to successful resolution of the allegations. On July 31, 1989, Assistant United States Attorney (AUSA) [redacted] District of the Northern Mariana Islands, advised that if the above allegations could be substantiated, he would prosecute this matter in the District of the Northern Mariana Islands under Title 18, United States Code, Section 371, Conspiracy to Defraud the United States; Section 1341, Mail Fraud; Section 1343, Fraud by Wire; and Section 1951, Hobbs Act. Furthermore, AUSA [redacted] advised that he will request a Federal Grand Jury (FGJ) subpoena for WATSON's testimony once WATSON has had time to adjust to living outside of prison. WATSON will be interviewed by the FBI prior to his FGJ testimony.

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FD-761 (8-8-88)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☒ AIRTEL

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date 8/1/89

To : Director, FBI (Attention: Criminal Investigative Division)
From : SAC, HONOLULU (194B-HN-121)(P)(SRA)
Subject : Public Corruption Data Transmittal Form

1. **Title:** *(use additional page if necessary)*

"CHANGED"
PEDRO P. TENORIO, GOVERNOR,
Re:

2. ☒ **Enclosed are the original and three copies of a LHM for dissemination purposes.** *(check if appropriate)*

3. **Office of Origin File No.** 194B - 121 *(include alpha)*

4. ☐ **Initial submission** ☒ **Supplemental submission** *(check one)*

5. **Date opened upon SAC authority** 3/17/89

6. **Level of subject official** *(See codes on reverse. Use additional pages, as necessary, for additional subjects.)*

Level	L01	Number of Subject(s)	1
Level	M20	Number of Subject(s)	1
Level		Number of Subject(s)	

7. **Indicate which of the following investigative techniques have been utilized to date.** *(check all appropriate boxes)*

Code Number / Description		Code Number / Description	
Z1	☐ Acct. Tech. Assist.	Z14	☐ Pen Registers
Z2	☐ Aircraft Assist.	Z15	☐ Photo Coverage
Z3	☐ Computer Assist.	Z16	☐ Polygraph Assist.
Z4	☐ Consensual Monitoring	Z17	☐ Search Warrants Use
Z5	☐ Elsur - FISC	Z18	☐ Show Money Use
Z6	☐ Elsur - Title III	Z19	☐ Surveillance Squad Use
Z7	☐ Eng. Sect. Field Support	Z20	☐ Swat Team
Z8	☐ Eng. Sect. Tape Exams	Z21	☐ Tech. Agent
Z9	☐ Hypnosis Assist.	Z22	☐ Telephone Toll Records
Z10	☐ Ident Div. Assist.	Z23	☐ Group I UCO
Z11 (A)	☐ Symboled Informant	Z24	☐ Group II UCO
Z11 (B)	☐ Cooperating Witness	Z25	☐ Undercover - Other
Z11 (C)	☒ Cooperating Subject	Z26	☐ NCAVG/VI - CAP
Z12	☐ Lab. Div. Exams	Z27	☐ VIA
Z13	☐ Lab. Div. Field Support		

Searched 8-11-89
Indexed
Serialized ek
Filed ek

2 - Field Office
3 - FBIHQ
(1 - White-Collar Crimes Section, Public Corruption Unit)

SSA [redacted]

JDG:rg
(5)

SSA [redacted]

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b7C

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FBI/DOJ

8. Type of Corruption Investigated *(check all appropriate boxes)*

Code Number/Description

(A) Judicial Corruption
- A1 ☐ Federal
- A2 ☐ State
- A3 ☐ Local
- A4 ☐ Territorial

(B) Legislative Corruption
- B1 ☐ Federal
- B2 ☐ State
- B3 ☐ Local
- B4 ☐ Territorial

(C) Contract Corruption
- C1 ☒ Federal
- C2 ☐ State
- C3 ☐ Local
- C4 ☐ Territorial

(D) Regulatory Corruption
- D1 ☐ Federal
- D2 ☐ State
- D3 ☐ Local
- D4 ☐ Territorial

(E) Law Enforcement Corruption
- E1 ☐ Federal
- E2 ☐ State
- E3 ☐ Local
- E4 ☐ Territorial

9. Does corruption involve drug related activity? *(check one)* ☐ Yes ☒ No

10. Statistical Accomplishments *(number since last submission)*

- A. Complaints _____
- B. Informants _____
- C. Indictments _____
- D. Convictions _____
- E. Pre-trial Diversions _____
- F. Acquittal _____
- G. Recoveries _____
- H. Restitutions _____
- I. Potential Economic Loss Prevented _____

11. Forfeiture Provisions Utilized *(check one)* ☐ Yes ☒ No

12. Status of Case *(check one)*

- ☐ Pending Preliminary Inquiry
- ☒ Pending Full Investigation
- ☐ Closed

13. Basis for Closing *(check one)*

- ☐ U.S. Attorney Declination
- ☐ Dismissal
- ☐ Acquittal
- ☐ Conviction
- ☐ Administrative by SAC (no other basis involved)

Additional Administrative Data *(if needed)*:

194A-HN-121

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - LOCAL LEVEL

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Reference telephone conversation between SSA [redacted] FBIHQ, and SSA [redacted] Honolulu Division, 7/17/89.

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Title marked changed to reflect change in alpha designation from 194A to 194B as requested by SSA [redacted] during referenced telephone conversation. Title previously carried as above with the exception that character of the case read "CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - STATE LEVEL".

Although the Commonwealth of the Northern Mariana Islands (CNMI) most resembles a state in its legal description under the Covenant between the U.S. and the Commonwealth, Honolulu will make appropriate FOIMS changes to insure the alpha designation and title are changed. However, under item number 6 on the FD-761, Honolulu will continue to list the level of subject PEDRO P. TENORIO as L01, which indicates a state governor inasmuch as his official elected title is Governor of the CNMI.

Routing Slip
FD-4 (Rev. 5-31-84)

Date 8/16/89

To: ☐ Director
Att.: _____

FILE # 194B-HN-121

☐ SAC _____
☐ ASAC _____
☐ Supv. _____
☐ Agent _____
☐ OSM _____
☐ Rotor # 5
☐ Steno _____
☐ Typist _____
☐ M _____
Room _____

Title _____

RE: _____

☐ Acknowledge	☐ For Information	☐ Return assignment card
☐ Assign ☐ Reassign	☐ Handle	☐ Return file ☐ serial
☐ Bring file	☐ Initial & return	_____
☐ Call me	☐ Leads need attention	☐ Return with action taken
☐ Correct	☐ Open case	☐ Return with explanation
☐ Deadline _____	☐ Prepare lead cards	☐ Search and return
☐ Delinquent	☐ Prepare tickler	☐ See me
☐ Discontinue	☐ Recharge file ☐ serial	☐ Type
☐ Expedite	_____	8/17/89
☐ File	☐ Send to _____	

[redacted] : pls change alpha to ek is changed on this file & computer to 194B.

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Thanks

194B-121-20
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Indexed _____
Serialized ek
Filed ek

SAC Terry L.

_____ See reverse side

Office #5

FD-36 (Rev. 8-26-82)

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Date 8/17/89

FM FBI HONOLULU (194B-121) (P) (SRA)

TO DIRECTOR FBI/PRIORITY/

~~FBI ALEXANDRIA/PRIORITY/~~

CORRECTION PG. 8

FBI DETROIT/PRIORITY/

FBI WASHINGTON METROPOLITAN FIELD OFFICE/PRIORITY/

BT

UNCLAS E F T O

CITE: //3280:6680//

PASS: WMFO - ALEXANDRIA RA.

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; [redacted] BOARD OF DIRECTORS (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC

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1 - 194B-121
1 - 66F-750 Sub A
JDG:tks
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194B-121-21

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Filed.....

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OFFICIALS - LOCAL LEVEL; OO: HONOLULU.

PURPOSE: AUTHORITY IS REQUESTED TO USE ELECTRONIC DEVICES TO MONITOR AND/OR RECORD PRIVATE CONVERSATIONS BETWEEN A SOURCE AND SUBJECTS AS LISTED ABOVE, AS WELL AS OTHERS YET UNKNOWN, IN CONNECTION WITH A CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS MATTER. THE AUTHORITY IS REQUESTED FOR A 30-DAY PERIOD COMMENCING 9/25/89.

DETAILS: DOJ/OFFICE OF ENFORCEMENT OPERATIONS APPROVAL IS REQUIRED BECAUSE THE INTERCEPTION RELATES TO AN INVESTIGATION OF PUBLIC OFFICIALS AND THE OFFENSES BEING INVESTIGATED ARE ONES INVOLVING BRIBERY, CONFLICT OF INTEREST, OR EXTORTION RELATING TO THE PERFORMANCE OF THEIR OFFICIAL DUTIES.

THE FBI SOURCE HAS VOLUNTARILY PROVIDED INFORMATION CONCERNING PUBLIC CORRUPTION IN THE CNMI. THIS SOURCE HAS PERSONAL KNOWLEDGE OF THE CORRUPT PRACTICES USED BY CNMI OFFICIALS TO EXTORT MONEY FROM INDIVIDUALS WISHING TO DO BUSINESS WITH THE CNMI GOVERNMENT. AS AN EMPLOYEE OF E.F. HUTTON, THE SOURCE WAS INFORMED BY CNMI OFFICIALS AND THEIR ASSOCIATES THAT E.F. HUTTON WOULD BE REQUIRED TO HIRE KEY PEOPLE AS CONSULTANTS IN THE CNMI IN ORDER TO DO BUSINESS WITH THE CNMI GOVERNMENT.

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THE SOURCE HAS ADVISED THAT SUBJECTS LARRY L. HILLBLOM, [redacted] b6 b7C
[redacted], BARTON HARRY WATSON, III, [redacted] AND JAMES E. HAWKINS ENTERED INTO VARIOUS CONSULTING AGREEMENTS IN ORDER TO OBTAIN APPROXIMATELY SEVEN MILLION DOLLARS WORTH OF BUSINESS FOR E.F. HUTTON. FURTHERMORE, THE SOURCE PROVIDED INFORMATION THAT THE CNMI GOVERNOR ALSO REQUESTED A TEN THOUSAND DOLLAR PAYMENT TO ACT AS A FACILITATOR OF THE BUSINESS ARRANGEMENT.

ELECTRONIC MONITORING DEVICES, BOTH TELEPHONIC AND NON-TELEPHONIC, ARE NECESSARY BECAUSE TRADITIONAL INVESTIGATIVE TECHNIQUES USED IN THIS INVESTIGATION HAVE NOT BEEN EFFECTIVE. HAWKINS, [redacted] WATSON, AND [redacted] HAVE ALL BEEN INTERVIEWED AND DENY IMPROPRIETIES. THE FBI SOURCE HAS AGREED TO ENGAGE THE SUBJECTS OF THIS INVESTIGATION IN CONVERSATIONS REGARDING THEIR CONSPIRACY. THE SOURCE IS AGREEABLE TO HAVING THESE PRIVATE CONVERSATIONS ELECTRONICALLY RECORDED, IS WILLING TO GIVE WRITTEN CONSENT, AND IS ALSO WILLING TO TESTIFY IN COURT. RECORDING DEVICES WILL ONLY BE USED WHEN THE CONSENTING SOURCE IS PRESENT. b6 b7C

THE PLANNED SCENARIO IS FOR THE FBI SOURCE TO TRAVEL TO THE ISLAND OF SAIPAN AND CONTACT SUBJECTS WHO RESIDE ON THE ISLAND. THE SOURCE WILL MOST LIKELY CONTACT THESE INDIVIDUALS

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TELEPHONICALLY FROM THE SOURCE'S SAIPAN HOTEL ROOM IN ORDER TO ARRANGE A DINNER MEETING TO DISCUSS OLD TIMES TOGETHER AND THE SOURCE'S INTEREST IN INVESTING IN TOURISM VENTURES ON THE ISLAND OF SAIPAN. THE TELEPHONE CONVERSATIONS WILL BE RECORDED AND THE SOURCE WILL WEAR A BODY RECORDER FOR FACE-TO-FACE MEETINGS.

U.S. ATTORNEY'S OPINION: ON 8/15/89, THE FACTS OF THIS INVESTIGATION WERE DISCUSSED BETWEEN FBI SPECIAL AGENT [redacted] [redacted] SAIPAN RESIDENT AGENCY, AND ASSISTANT UNITED STATES ATTORNEY (AUSA) [redacted] DISTRICT OF THE NORTHERN MARIANA ISLANDS, SAIPAN. AUSA [redacted] APPROVES THE USE OF ELECTRONIC MONITORING DEVICES AND ADVISED THAT ENTRAPMENT IS NOT AN ISSUE IN THAT THE CRIMES BEING INVESTIGATED HAVE ALREADY OCCURRED. FURTHERMORE, AUSA [redacted] ADVISED HE WILL PROSECUTE THIS MATTER IN THE DISTRICT OF THE NORTHERN MARIANA ISLANDS UNDER TITLE 18, U.S. CODE, SECTION 371, CONSPIRACY TO DEFRAUD THE UNITED STATES; SECTION 1341, MAIL FRAUD; SECTION 1343, FRAUD BY WIRE; AND SECTION 1951, HOBBS ACT, IF THE ABOVE ALLEGATIONS CAN BE SUBSTANTIATED.

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ADMINISTRATIVE DATA: IN 1986, HN 206I-129 WAS OPENED TO ADDRESS AN ALLEGATION THAT [redacted] RECEIVED KICKBACKS

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FROM JAMES E. HAWKINS FOR [redacted] EFFORTS IN DIRECTING SEVEN MILLION DOLLARS IN ECONOMIC DEVELOPMENT LOAN FUND (EDLF) MONIES TO BE INVESTED WITH E.F. HUTTON. HAWKINS AND [redacted] WERE INTERVIEWED AT THAT TIME BY ALEXANDRIA (206I-326) AND WMFO (206I-232). INVESTIGATION PROVED NEGATIVE AND THE CASE WAS CLOSED. IN SEPTEMBER, 1987, BARTON HARRY WATSON, III, THEN A PRISONER AT THE LEWISBURG FEDERAL PENITENTIARY, VOLUNTARILY PROVIDED INFORMATION WHICH EXPANDED ON THE PREVIOUS ALLEGATION. WATSON PROVIDED INFORMATION OF A CONSPIRACY ON THE PART OF HIMSELF, [redacted] [redacted] LARRY L. HILLBLOM, CNMI GOVERNOR PEDRO A. TENORIO, [redacted] [redacted] AND JAMES E. HAWKINS TO USE THE SEVEN MILLION DOLLAR EDLF TO PROVIDE INCOME TO THE BOS, WHICH IS CONTROLLED BY HILLBLOM. IN ADDITION, WATSON STATED THAT GOVERNOR TENORIO DEMANDED THAT TEN THOUSAND DOLLARS BE SET UP IN AN E.F. HUTTON ACCOUNT IN THE NAME OF THE BOS WITH FUNDS TO BE PROVIDED BY E.F. HUTTON.

WATSON ADVISED THAT IN 1984, HE AND [redacted] MET HAWKINS, AN INDIVIDUAL WITH MANY CONNECTIONS IN MICRONESIA, AND HAWKINS INTRODUCED THEM TO MANY INDIVIDUALS IN THE CNMI, INCLUDING [redacted] FOR THE EDLF. THE EDLF WAS A CNMI

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AGENCY RESPONSIBLE FOR GIVING LOW INTEREST LOANS TO CNMI RESIDENTS. IT WAS FUNDED WITH FEDERAL MONEY AND HAS SEVEN MILLION DOLLARS INVESTED WITH THE BANK OF GUAM AT A VERY LOW INTEREST RATE. WATSON AND [redacted] CONVINCED THE EDLF BOARD OF DIRECTORS TO INVEST THE SEVEN MILLION DOLLARS WITH E.F. HUTTON AT A HIGHER RATE OF RETURN. b6 b7C

THROUGHOUT THE COURSE OF THEIR TRAVELS TO THE CNMI, WATSON AND [redacted] BECAME FRIENDLY WITH HILLBLOM, WHO CONTROLLED THE BOS. DURING ONE OF THEIR TRIPS TO SAIPAN, HILLBLOM TOLD THE MEN THAT POLITICAL INFLUENCE WAS DIRECTLY TIED INTO DOING BUSINESS ON SAIPAN AND FAVORABLE POLITICAL INFLUENCE REQUIRED A PIECE OF THE ACTION OR CASH COMPENSATION.

WATSON AND [redacted] WERE UNSUCCESSFUL IN OBTAINING THE EDLF INVESTMENT FOR E.F. HUTTON UNTIL HILLBLOM, WHO HAD NO INVOLVEMENT WITH THE EDLF, INTERVENED. WATSON SAID THAT DURING AN OCTOBER, 1984, TRIP TO SAIPAN, HILLBLOM TOLD WATSON AND [redacted] THAT FOR E.F. HUTTON TO GET THE EDLF INVESTMENT, THE BOS WOULD HAVE TO BE AN INTERMEDIARY. HILLBLOM AND HAWKINS BOTH TOLD WATSON AND [redacted] THAT EVERYTHING WAS TAKEN CARE OF WITH GOVERNOR TENORIO. ADDITIONALLY, WATSON SAID THAT HAWKINS DROVE WATSON TO THE b6 b7C

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GOVERNOR'S OFFICE WHERE WATSON MET PRIVATELY WITH GOVERNOR TENORIO. THE GOVERNOR TOLD WATSON THAT HILLBLOM HAD MADE ARRANGEMENTS FOR THE EDLF FUND TO BE INVESTED WITH E.F. HUTTON AND DEMANDED THAT E.F. HUTTON OPEN AN ACCOUNT FOR THE GOVERNOR IN THE NAME OF BOS WITH TEN THOUSAND DOLLARS SUPPLIED BY E.F. HUTTON.

THE EDLF INVESTED APPROXIMATELY SEVEN MILLION DOLLARS WITH E.F. HUTTON. HOWEVER, SHORTLY THEREAFTER, THE EDLF BOARD OF DIRECTORS WITHDREW THE FUNDS FROM E.F. HUTTON AND REDEPOSITED THE FUNDS INTO THE BANK OF GUAM.

DURING ONE TRIP TO SAIPAN, WATSON AND [redacted] WERE INFORMED BY HILLBLOM AND OTHER EXECUTIVES FROM THE BOS THAT THEY DESIRED ON BEHALF OF THE BANK'S CLIENTS TO OBTAIN INVESTMENTS AND SECURITIES SOLELY IN THE BANK'S NAME WITHOUT DIVULGING THE IDENTITIES OF THE INVESTMENT CLIENTS. FURTHERMORE, THEY WISHED TO HAVE THE INVESTMENTS AND SECURITIES HELD OUTSIDE THE UNITED STATES. WATSON SAID THAT THE PURPOSE AND MOTIVATION OF THIS REQUEST WAS FOR BOS TO CIRCUMVENT THE UNITED STATES INCOME TAX LAWS, TO CIRCUMVENT EMBARRASSMENT OF THE CONSIDERABLE AMOUNT OF WEALTH HELD BY THE SAIPAN CLIENTS OF THE BOS, AND TO ALLEVIATE OR

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HIDE THE CONCEPT OF CONSTRUCTIVE RECEIPT. WATSON SAID THAT HE AND [redacted] WERE SUCCESSFUL IN BOOKING THIS BUSINESS ACTIVITY FOR E.F. HUTTON THROUGH THE LONDON, ENGLAND, AND GENEVA, SWITZERLAND, OFFICES OF E.F. HUTTON.

AT ANOTHER TIME, WATSON SAID THAT HILLBLOM AND [redacted] INTRODUCED WATSON AND [redacted] TO [redacted] WAH KONG SHIPPING AND INVESTMENT COMPANY, AND [redacted] THE HYATT REGENCY HOTEL, SAIPAN, CNMI. ACCORDING TO WATSON, [redacted] AND WATSON VISITED [redacted] IN HONG KONG WHERE [redacted] INSTRUCTED WATSON AND [redacted] ON HOW TO CONDUCT BUSINESS ON THE ISLAND OF SAIPAN.

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WHILE HE WAS INTERVIEWED AT THE U.S. PENITENTIARY AT LEWISBURG, PA, WATSON ADVISED THAT HIS PERSONAL TRAVEL RECORDS CONTAIN SPECIFIC DATES AND CONTACTS DURING HIS TRAVELS TO SAIPAN. THOSE PERSONAL RECORDS WERE MAINTAINED BY [redacted] [redacted], WHO RESIDED IN [redacted] WATSON ALSO PURPORTED TO HAVE DOCUMENTS SUPPORTING HIS CLAIM THAT GOVERNOR TENORIO REQUESTED A TEN THOUSAND DOLLAR PAYOFF.

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A REVIEW OF INTERVIEWS CONDUCTED REGARDING THIS MATTER, AS WELL AS AVAILABLE DOCUMENTS OBTAINED THUS FAR IN THE INVESTIGATION, TEND TO DISCREDIT WATSON'S ALLEGATIONS. AUSA

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[redacted] HAS ISSUED A FEDERAL GRAND JURY (FGJ) SUBPOENA THROUGH THE U.S. MARSHAL'S SERVICE REQUESTING WATSON'S TESTIMONY IN SAIPAN ON 9/27/89. HONOLULU DESIRES TO CLARIFY CERTAIN STATEMENTS MADE BY WATSON PRIOR TO THAT POINT IN TIME. IT IS BELIEVED BY THE CASE AGENT THAT WATSON MAY BE USING THE U.S. GOVERNMENT TO FINANCE HIS TRAVELS TO THE ISLAND OF SAIPAN FOR THE PURPOSE OF FURTHERING HIS PERSONAL AGENDA AND FINANCIAL SCHEMES. AUSA [redacted] HAS MADE ARRANGEMENTS FOR WATSON TO SPEND THREE DAYS ON THE ISLAND OF SAIPAN DURING THE TIME PERIOD OF THE FGJ SUBPOENA IN HOPES THAT WATSON'S COOPERATION WILL MAKE SIGNIFICANT CONTRIBUTIONS TO INVESTIGATION OF THE CAPTIONED MATTER. THEREFORE, HONOLULU REQUESTS THAT LEADS AS SET OUT BELOW ARE COVERED AND REPORTED TO HONOLULU PRIOR TO 9/27/89. IF RECEIVING OFFICES DESIRE FURTHER DETAILS REGARDING THIS MATTER, QUESTIONS CAN BE DIRECTED TO SA [redacted] SAIPAN RESIDENT AGENCY, TELEPHONE 011-670-234-6934.

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ALEXANDRIA AT RESTIN, VIRGINIA: WILL INTERVIEW HAWKINS, 11611 VANTAGE HILL ROAD, BUILDING 11, APARTMENT 11B, RESTIN, VIRGINIA, TELEPHONE (703) 471-1967, REGARDING THE POSSIBILITY THAT HAWKINS DROVE WATSON TO A PRIVATE MEETING WITH GOVERNOR

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TENORIO. FURTHERMORE, ASCERTAIN IF WATSON DISCLOSED THE DETAILS OF THIS MEETING TO HAWKINS.

DETROIT AT GRAND RAPIDS, MICHIGAN:

1. WILL ATTEMPT TO VERIFY WATSON'S DATE OF BIRTH WHICH IS LISTED AS 10/18/57, ON EMPLOYMENT RECORDS FILED WITH E.F. HUTTON AND AS 10/18/60, AS LISTED ON U.S. BUREAU OF PRISONS RECORDS.

2. WILL CONDUCT CRIMINAL AND ARREST CHECKS REGARDING WATSON.

3. WILL CONTACT WATSON IN CARE OF [redacted] b6 b7C [redacted] MICHIGAN, TELEPHONE [redacted] [redacted] AND REQUEST WATSON TO BRING PERSONAL TRAVEL RECORDS REGARDING HIS TRAVELS AND CONTACTS IN THE CNMI WHEN HE TRAVELS TO SAIPAN DURING SEPTEMBER, 1989. WATSON SHOULD ALSO BE REQUESTED TO BRING DOCUMENTS SUPPORTING HIS CLAIM THAT GOVERNOR TENORIO REQUESTED A TEN THOUSAND DOLLAR PAYOFF. ADDITIONALLY, WATSON IS REQUESTED TO BRING TO SAIPAN ANY PRIVATE PAPERS AND NOTES HE HAS REGARDING ACCOUNTS SET-UP IN THE NAME OF LARRY HILLBLOM, DHL ENTERPRISES, OR BANK OF SAIPAN IN LONDON AND GENEVA UNDER ACCOUNTS CONTROLLED BY E.F. HUTTON.

4. WATSON PREVIOUSLY RENEGED ON AGREEMENT TO BE POLYGRAPHED

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REGARDING CAPTIONED MATTER BECAUSE OF COMPLICATIONS HIS COOPERATION MIGHT HAVE CAUSED WHILE HE WAS INCARCERATED. DETROIT WILL ASK HIM IF HE IS WILLING TO VOLUNTARILY SUBMIT TO POLYGRAPH EXAMINATION WHILE IN SAIPAN DURING SEPTEMBER, 1989.

WMFO AT WASHINGTON, D.C.:

1. WILL CONDUCT INDICES CHECKS REGARDING BARTON HARRY WATSON, III, AKA BARRY WATSON, BORN 10/18/57, OR 10/18/60, AT GRAND RAPIDS, MICHIGAN, SSAN 381-78-3111.

2. WILL CONTACT AUSA [redacted] WASHINGTON, D.C., TELEPHONE [redacted], REGARDING DETAILS OF WATSON'S CONVICTION FOR MAIL FRAUD IN 1987 WHICH LED TO HIS IMPRISONMENT AT LEWISBURG, PA. DETAILS SHOULD INCLUDE CIRCUMSTANCES OF THE CONVICTION, AS WELL AS NAME OF INVESTIGATING AGENCY.

3. WILL INTERVIEW [redacted] E.F. HUTTON, INC., 1825 I STREET N.W., SUITE 1000, WASHINGTON, D.C., TELEPHONE [redacted] REGARDING THE FOLLOWING POINTS:

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A. DID HILLBLOM AND [redacted] INTRODUCE WATSON AND [redacted] TO [redacted] SUPRA? DID [redacted] AND WATSON VISIT [redacted] IN HONG KONG? WHAT ARE THE DETAILS OF THEIR DISCUSSIONS?

B. DID WATSON AND [redacted] MEET WITH HILLBLOM AND OTHER BOS

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OFFICIALS (POSSIBLY [redacted] IN LONDON, ENGLAND, DURING SEPTEMBER, 1984? WHERE DID THEY MEET? WHAT WAS THE PURPOSE OF THE MEETING? DID WATSON AND [redacted] ARRANGE TO OPEN E.F. HUTTON ACCOUNTS FOR HILLBLOM OR ANY OF HIS BUSINESSES OR BUSINESS ASSOCIATES IN LONDON, ENGLAND, OR GENEVA, SWITZERLAND? b6 b7C

C. WAS THE BOS USED AS AN INTERMEDIARY BETWEEN THE EDLF BOARD OF DIRECTORS AND E.F. HUTTON IN THE ADMINISTRATION OF THE FUND ACCOUNT?

D. DID [redacted] EVER MEET WITH GOVERNOR TENORIO? DID HILLBLOM OR HAWKINS EVER TELL ROLAND THAT GOVERNOR TENORIO WOULD MAKE SURE THE EDLF BOARD OF DIRECTORS WOULD APPROVE OPENING THE E.F. HUTTON ACCOUNT? DID GOVERNOR TENORIO REQUEST ANY COMPENSATION FROM [redacted] OR E.F. HUTTON?

E. DID HILLBLOM OR [redacted] INSTRUCT [redacted] AND WATSON IN METHODS OF USING POLITICAL INFLUENCE TO CONDUCT BUSINESS ON SAIPAN? DID ANY OTHER INDIVIDUALS CONFIDE IN [redacted] THAT THE CONSULTANT SERVICES OF CNMI OFFICIALS WOULD BE REQUIRED IN ORDER FOR THE EDLF TO BE INVESTED WITH E.F. HUTTON? b6 b7C

F. WHAT COMPENSATION WAS PAID TO [redacted] AND WATSON BY E.F. HUTTON FOR THEIR ROLE IN SECURING THE SEVEN MILLION DOLLARS AS AN

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☐ _____

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date _____

^PAGE THIRTEEN DE HN (194B-121) UNCLAS E F T O

ACCOUNT FOR E.F. HUTTON?

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Memorandum

To : SAC, HONOLULU (194B-HN-121)(P) Date August 8, 1989

From : SA [redacted] (SRA) b6 b7C

Subject : PEDRO A. TENORIO, GOVERNOR
COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS (CNMI);
ET AL;
CORRUPTION OF STATE AND LOCAL
PUBLIC OFFICIALS - LOCAL LEVEL
OO: HONOLULU

On August 7, 1989, Assistant United States Attorney (AUSA) [redacted], District of Northern Mariana Islands, Saipan, Commonwealth of the Northern Mariana Islands (CNMI), advised that he was telephonically contacted by BARTON HARRY WATSON, III, aka BARRY WATSON, a cooperating subject of the captioned investigation, on August 4, 1989. At that time, WATSON told AUSA [redacted] that WATSON was still willing to cooperate with the U.S. government, specifically the FBI, in regards to its investigation into an allegation that $7,000,000.00 of an economic development loan fund was used to provide income to the BANK OF SAIPAN. During the conversation, AUSA [redacted] told WATSON that a Federal Grand Jury (FGJ) subpoena would be issued to WATSON so WATSON could travel from Belding, Michigan, located near Grand Rapids, Michigan, to Saipan for the purpose of WATSON testifying before the FGJ. Furthermore, AUSA [redacted] told WATSON that he would be debriefed by the FBI prior to his testimony before the FGJ. b6 b7C

Although WATSON initiated the telephonic contact with AUSA [redacted] WATSON told [redacted] that he was not sure to what extent he would cooperate. Furthermore, WATSON stipulated that he be provided with a business class airline ticket inasmuch as he has a recurring back problem. AUSA [redacted] told WATSON that he would seek approval for the business class ticket from the U.S. MARSHAL SERVICE (USMS), Guam, USA. b6 b7C

AUSA [redacted] is planning to issue the FGJ subpoena to WATSON so WATSON will arrive in Saipan on or about September 26, 1989.

(2) - Honolulu
JDG:rg
(2)

1* [redacted]

194B-121-22
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AUG 11 1989
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[redacted]

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R 292114Z AUG 89

FM FBI DETROIT (194B-HN-121) (RUC) (C-3)

TO FBI HONOLULU/ROUTINE/

BT

UNCLAS E F T O

CITE: //3220:2636//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS; ET AL; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS-LOCAL LEVEL; OO: HONOLULU.

RE HONOLULU TELETYPE TO THE DIRECTOR, DATED AUGUST 18, 1989.

THE FOLLOWING IS FOR THE INFORMATION OF HONOLULU:

ARREST CHECKS AT BELDING (MICHIGAN) POLICE DEPARTMENT AND IONIA COUNTY SHERIFF'S OFFICE CONDUCTED ON AUGUST 28, 1989, REGARDING BARTON HARRY WATSON, III, WITH NEGATIVE RESULTS. A CHECK OF COMPUTERIZED RECORDS OF THE MICHIGAN LAW ENFORCEMENT

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Fax Copy Done

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SSRA

194B-121-23
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AUG 29 1989
FBI - HONOLULU

INFORMATION NETWORK (LEIN) WAS NEGATIVE REGARDING OUTSTANDING WARRANTS FOR WATSON. A MICHIGAN COMPUTERIZED CRIMINAL HISTORY (CCH) EXIST FOR WATSON USING DOB OCTOBER 18, 1960. AN FBI IDENT RECORD EXIST FOR WATSON USING FBI NUMBER 235616FA2.

A REVIEW OF BIRTH RECORDS BY DEPUTY CLERK [redacted] [redacted] AT THE MONTCALM COUNTY CLERK'S OFFICE, STANTON, MICHIGAN, REVEALED THAT WATSON WAS BORN ON OCTOBER 18, 1960, AT GREENVILLE, MICHIGAN, TO PARENTS [redacted] AND [redacted]

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WATSON IS TEMPORARILY RESIDING WITH [redacted] [redacted] MICHIGAN, TELEPHONE [redacted]. STREET ADDRESS WAS OBTAINED FROM U.S. POSTMASTER, [redacted], MICHIGAN, WHO REFERRED TO SUBJECT WATSON AS "BLACK BART." A BUSINESS CARD LEFT AT THE WATSON RESIDENCE PROMPTED A TELEPHONE CALL FROM BARTON HARRY WATSON TO THE GRAND RAPIDS RESIDENT AGENCY OF THE FBI ON AUGUST 29, 1989.

WATSON WAS ADVISED THAT FEDERAL PROSECUTORS DESIRED HIM TO BRING THE FOLLOWING DOCUMENTATION WITH HIM ON HIS SEPTEMBER TRIP TO SAIPAN: PERSONAL TRAVEL RECORDS REGARDING

TRAVEL AND CONTACTS IN CNMI. DOCUMENTS SUPPORTING HIS CLAIM THAT GOVERNOR TENORIO REQUESTED A 10,000 DOLLAR PAY-OFF. PRIVATE PAPERS OR NOTES REGARDING ACCOUNTS SET UP IN THE NAME OF LARRY HILLBLOM, D.H.L. ENTERPRISES, OR BANK OF SAIPAN. WATSON STATED HE WILL BRING THE ABOVE-LISTED DOCUMENTS WITH HIM IN SEPTEMBER, BUT WILL FIRST HAVE TO RETRIEVE THE DOCUMENTS FROM THE POSSESSION OF [redacted] IN [redacted] WATSON STATED HE HAS SUFFERED NUMEROUS OUT OF POCKET EXPENSES SINCE HE BEGAN HIS COOPERATION WITH THE GOVERNMENT WITHOUT REIMBURSEMENT. WATSON ESTIMATED HIS EXPENSES TO TRAVEL TO WASHINGTON, D.C. TO RETRIEVE AND REVIEW HIS RECORDS WILL CONSIST OF $361.00 AIRFARE, $100.00 LODGING, AND $100.00 SUBSISTENCE FOR A TOTAL OF APPROXIMATELY $561.00. WATSON WAS GIVEN NO PROMISE OF REIMBURSEMENT, BUT WAS TOLD HIS REQUEST WOULD BE PASSED ALONG. WATSON HAS PLANNED TO TRAVEL TO WASHINGTON, D.C., ON SEPTEMBER 8-9, 1989, TO RETRIEVE AND REVIEW THE DOCUMENTS.

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WATSON STATED HE IS AND HAS BEEN WILLING FOR THE PAST SIX MONTHS TO SUBMIT TO A POLYGRAPH EXAMINATION AT ANY TIME AND PLACE THE GOVERNMENT DESIRES. WATSON STATED HIS

ATTORNEYS SENT THE GOVERNMENT A LETTER TO THAT EFFECT.

WATSON IS REPRESENTED BY ATTORNEY [redacted] OF THE LAW FIRM OF WILLIAMS AND CONNELY (PHONETIC), NEW YORK, NEW YORK, TELEPHONE [redacted].

ON AUGUST 29, 1989, FEDERAL PROBATION/PAROLE OFFICER [redacted] (PHONETIC) [redacted] CONTACTED THE GRAND RAPIDS RESIDENT AGENCY OF THE FBI REGARDING WATSON. [redacted] ADVISED THAT WATSON IS A FEDERAL PAROLEE AND THAT HE [redacted]) MUST BE CONTACTED IN PERSON TO MAKE ANY ARRANGEMENTS FOR TRAVEL BY WATSON. [redacted] ADVISED HE CAN BE TELEPHONICALLY CONTACTED AT GRAND RAPIDS, MICHIGAN, AT TELEPHONE NUMBER [redacted] OR FTS [redacted].

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DETROIT AT GRAND RAPIDS IS CONDUCTING NO FURTHER INVESTIGATION AND CONSIDERS THIS MATTER RUC.

BT

#0013

NNNN

FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☒ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☒ UNCLAS

b6
b7C

To: SA [redacted] (SRA)

From: SAC, HONOLULU

Date 8/29/89

Subject: PEDRO P. TENORIO; ET AL;

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☒ Teletype 8/29/89 ☐ Other _____

Special handling Instructions:

Approved: GJ

194B-121-94
Searched.....
Indexed.....
Serialized..... SRJ
Filed SRJ FBI/DOJ

UNITED STATES GOVERNMENT

memorandum

DATE: 9/5/89

REPLY TO ATTN OF: [redacted]

SUBJECT: PEDRO P. TENORIO
GOVERNOR,
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS;
ET AL.

TO: CSLPO - LOCAL LEVEL
(OO: HN)

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Re Honolulu teletype, 8/18/89.

On 9/5/89, [redacted] FBIHQ, PUBLIC CORRUPTION UNIT, advised that Honolulu's request for consensual monitoring has been approved for 30 days, to begin 9/25/89 and end on 10/24/89. The parties involved are a source and subjects listed in referenced teletype, as well as others yet unknown.

2 - HN 194B-121
1 - HN 66F-750 Sub B

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[redacted] advised of above on 9/5/89.

194B-121-25

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Indexed__Serialized__ek Filed__
SEP 5 1989
FBI - HONOLULU
[redacted]

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#5
SSRA

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114

☆U.S. Government Printing Office: 1980—341-526/6193

FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☒ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☒ UNCLAS

To: SAIPAN RA (194B-HN-121)
(Attn: SA [redacted]

From: SSA [redacted]

b6
b7C

Date 9/7/89

Subject: PEDRO P. TENORIO, GOVERNOR,
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS;
LARRY L. HILLBLOM, dba BANK OF SAIPAN; ET AL.
CSLPO - LOCAL LEVEL

3:09pm

- ☐ Fingerprint Photo
- ☐ Fingerprint Record
- ☐ Map
- ☐ Newspaper clipping
- ☐ Photograph
- ☐ Artists Conception
- ☒ Teletype dated 9/6/89
- ☐ Other _____

Special handling Instructions:

Approved: _____

FBI/DOJ

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FM FBI DETROIT (194B-HN-121) (C) (C-3) (52B-PH-57930) (P) (C-7)

TO FBI HONOLULU (194B-HN-121)/ROUTINE/

BT

UNCLAS E F T O

CITE: //3220:2636//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS; LARRY L. HILLBLOM, DBA BANK OF SAIPAN; [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INCORPORATED; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INCORPORATED; [redacted] BOARD OF DIRECTORS, ECONOMIC DEVELOPMENT LOAN FUND, CNMI; JAMES E. HAWKINS; CSLPO - LOCAL LEVEL; OO: HONOLULU; BARTON WATSON; [redacted] T.G.P. - OTHER; OO: PHILADELPHIA.

RE DETROIT TELETYPE TO HONOLULU, DATED AUGUST 29, 1989; AND PHILADELPHIA AIRTEL TO THE DIRECTOR AND DETROIT, DATED AUGUST 22,

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for copy to RA

194B-HN-121-26
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SEP 6 1989
FBI HONOLULU

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SSRA

1989.

FOR THE INFORMATION OF HONOLULU, REFERENCED PHILADELPHIA AIRTEL ENCLOSED A FEDERAL GRAND JURY SUBPOENA FOR SERVICE UPON [redacted]. INSTANT SUBPOENA REQUIRED [redacted] TO APPEAR AT THE FEDERAL BUILDING, 240 W. THIRD STREET, WILLIAMSPORT, PENNSYLVANIA, ON [redacted] b3

[redacted]. FOLLOWING IS THE TEXT OF REFERENCED PHILADELPHIA AIRTEL BEGINNING WITH PARAGRAPH FOUR (4):

"FOR THE INFORMATION OF THE FBI LABORATORY AND THE DETROIT DIVISION, ON THE MORNING OF JULY 28, 1989, THE ENCLOSED COMPUTER DISKETTES WERE DISCOVERED BY BUREAU OF PRISONS (BOP) PERSONNEL ASSIGNED TO THE MAIL ROOM OF THE ALLENWOOD FEDERAL PRISON CAMP (AFPC), MONTGOMERY, PENNSYLVANIA, IN A 12 INCH BY 16 INCH ENVELOPE WHICH HAD BEEN PLACED IN THE MAIL BY CAPTIONED SUBJECTS (INMATES AT AFPC). INSUFFICIENT POSTAGE HAD BEEN PLACED ON THE ENVELOPE, AND UPON DISCOVERY OF THIS, INMATE [redacted] WHOSE NAME AND REGISTRY NUMBER HAD BEEN USED FOR THE RETURN, WAS SUMMONED TO THE MAIL ROOM. AFTER BEING CALLED ON THE PUBLIC ADDRESS SYSTEM, INMATE [redacted] WAS CONFRONTED BY INMATE [redacted] b6 b7C

[redacted] IN ROUTE TO THE MAIL ROOM AND ADVISED OF HIS AND INMATE

BARTON WATSON'S ACTIONS (THE ATTEMPT TO MAIL THE COMPUTER PROGRAMS). INMATE [redacted] ASKED INMATE [redacted] TO RETRIEVE THE ENVELOPE AND ITS CONTENTS IF IT HAD NOT BEEN OPENED BY BOP PERSONNEL AND INDICATED THAT HE ([redacted] HAD NOTHING TO WORRY ABOUT, AS HE [redacted]) WOULD ASSUME RESPONSIBILITY IF THERE WAS ANY TROUBLE OR DISCIPLINARY ACTION ADMINISTERED. INMATE [redacted] THEREAFTER TRAVELED TO THE MAIL ROOM, AND IMMEDIATELY UPON ARRIVAL, DISAVOWED ANY KNOWLEDGE OF THE ENVELOPE AND ITS CONTENTS AND RELATED TO BOP PERSONNEL WHAT INMATE [redacted] HAD SAID TO HIM ON THE PRISON GROUNDS. b6 b7C

IN THE BOP INVESTIGATION THAT FOLLOWED, IT WAS DETERMINED THAT INMATES [redacted] AND WATSON (WHO WAS RELEASED IN THE EARLY MORNING ON JULY 28, 1989, PRIOR TO THE DISCOVERY OF THE STOLEN MATERIALS), FOR THE TWO WEEKS PRIOR HAD BEEN WORKING 16 HOUR DAYS WITHIN THE FOOD SERVICE DIVISION OF THE INSTITUTION PROGRAMMING A FOOD SERVICE PROGRAM INTO THE COMPUTER AND WRITING/PUTTING TOGETHER A MANUAL REGARDING THE USE OF THIS PROGRAM. [redacted] WAS DESCRIBED AS THE INMATE WITH THE EXPERTISE AND WATSON HAD SIMPLY BEEN TEMPORARILY ASSIGNED TO FOOD SERVICE, AT [redacted] REQUEST, TO ASSIST IN THIS ENDEAVOR. INMATES INTERVIEWED RELATED b6 b7C

INCIDENCES WITHIN THE LAST MONTH WHEREIN INMATE WATSON WAS OVERHEARD COMMENTING ON THE UNIQUENESS OF THE FOOD SERVICE PROGRAM AND THE POTENTIAL REGARDING ITS BEING MARKETED ON THE OUTSIDE (IN THE PRIVATE SECTOR). UPON THE DISCOVERY OF THE DISKETTES AND AFTER LEARNING OF WATSON'S COMMENT REGARDING THE POTENTIAL FOR MARKETING THE FOOD SERVICE PROGRAM, IT IS THE OPINION OF THOSE INVOLVED IN THE INVESTIGATION TO DATE THAT THE FOUR (4) UNMARKED DISKETTES CONTAIN THE FOOD SERVICE PROGRAM IN CODED FORM. THE ENVELOPE BORE THE ADDRESS OF [redacted] IN NEW YORK CITY, NEW YORK, AND HE UNDOUBTEDLY WAS TO BE THE RECIPIENT OF THE CONTENTS UPON HIS ARRIVAL THERE (WATSON SCHEDULED TO RELOCATE IN NEW YORK CITY AND PROBATION/PAROLE SUPERVISION TO BE ADMINISTERED THERE PRIOR TO HIS CHANGING HIS RELOCATION ADDRESS TO THAT OF [redacted], MICHIGAN, FOLLOWING HIS RELEASE). TO DATE, INMATE [redacted] WHO HAS BEEN TRANSFERRED PENDING THE RESULT OF THE INVESTIGATION, HAS DECLINED TO BE INTERVIEWED AND TO FURNISH ANY TYPE OF STATEMENT TO THE FEDERAL BUREAU OF INVESTIGATION (FBI) REGARDING HIS ACTIONS OR INVOLVEMENT IN CAPTIONED MATTER. IT IS NOTED THAT THE LOOSE-LEAF BINDER WITH ITS CONTENTS AND THE 468 PAGES OF COMPUTER PRINTOUTS WERE FOUND IN [redacted] ASSIGNED CUBICLE (DORMITORY SPACE) DURING

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A ROUTINE SHAKEDOWN BY AFPC PERSONNEL FOLLOWING HIS BEING QUESTIONED REGARDING THE APPARENT THEFT.

BOP, AFPC, IS ENTHUSIASTICALLY PURSUING PROSECUTION OF GUILTY PARTIES IN THIS MATTER AND THE ASSISTANT UNITED STATES ATTORNEY (AUSA), MIDDLE DISTRICT OF PENNSYLVANIA, HAS ADVISED THAT HE WOULD CONSIDER PROSECUTION DEPENDING UPON THE CONTENTS OF THE DISKETTES ONCE DECIPHERED AND THE FBI'S ABILITY TO DEVELOP FURTHER INCRIMINATING EVIDENCE WITH REGARD TO BARTON WATSON AND INMATE [redacted]."

CASE AGENT AT SAIPAN IS REQUESTED TO CONTACT SA [redacted] b6 b7C [redacted] WILLIAMSPORT RESIDENT AGENCY, TELEPHONE NUMBER (717) 323-3791, TO COORDINATE RESPECTIVE MUTUAL INTEREST IN BARTON HARRY WATSON, III.

INVESTIGATION CONTINUING AT DETROIT.

BT

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FM FBI PHILADELPHIA (194B-HN-121) (WRA) (RUC)

TO FBI HONOLULU/ROUTINE/

BT

UNCLAS E F T O

CITE: //3620:4288//

*t

SUBJECT: PEDRO T. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; [redacted] BOARD OF DIRECTORS (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS-LOCAL LEVEL; OO:HN.

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RE HONOLULU TELETYPE TO PHILADELPHIA SEPTEMBER 9, 1989, AND SA [redacted] SAIPAN RA, TELEPHONE CALL TO SA [redacted]

194B-121-77

SEARCHED-FOLDS INDEXED
Indexed Serialized Filed
SEP 15 1989
[redacted] HONOLULU

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b7C

[redacted] WILLIAMSPORT RA, PHILADELPHIA DIVISION, ON SEPTEMBER 13, 1989.

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LEAD FOR PHILADELPHIA AT WILLIAMSPORT, PA., SET OUT IN REFERENCED TELETYPE IS BEING DISREGARDED AS THE SAIPAN RESIDENT AGENCY IS IN RECEIPT OF THE REQUESTED INFORMATION - IT HAVING BEEN PROVIDED BY THE DETROIT DIVISION.

IN VIEW OF THE ABOVE, THE PHILADELPHIA DIVISION IS CONSIDERING THIS MATTER RUC'D.

BT

#0005

NNNN

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☒ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☒ UNCLAS E F T O
☐ UNCLAS

Date 9/8/89

FM FBI HONOLULU (194B-121) (P) (SRA)

TO FBI PHILADELPHIA (WRA)/PRIORITY/

BT

UNCLAS E F T O

CITE: //3280:6680//

Correction
ID 2

SUBJECT: PEDRO T. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E. F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E. F. HUTTON, INC.; [redacted] BOARD OF DIRECTORS, (BOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - LOCAL LEVEL; OO: HONOLULU.

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b7C

RE HONOLULU TELETYPE TO FBIHQ DATED 8/17/89; PHILADELPHIA TELETYPE TO HONOLULU DATED 7/11/89; AND HONOLULU TELETYPE TO

JDG:tls
(1)

Approved: EFG/ace Transmitted 008 (Number) 5:26 a (Time) Per QV 194B-121-28

TLS009W.251

#5 SSRA

Searched
Indexed b6
Serialized b7C
Filed

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE TWO DE HN (194B-121) UNCLAS E F T O

PHILADELPHIA DATED 6/14/89.

6/14/89 TELETYPE OUTLINED ALLEGATIONS REGARDING CAPTIONED MATTER AND THE FACT THAT SUBJECT WATSON HAD VOLUNTEERED TO COOPERATE WITH THE FBI IN ITS INVESTIGATIVE EFFORTS. THE 7/11/89 TELETYPE FROM THE WILLIAMSPORT PENNSYLVANIA, PHILADELPHIA DIVISION, ADVISED HONOLULU THAT WATSON EXPRESSED FULL COOPERATION AS A GOVERNMENT WITNESS IN CAPTIONED MATTER. THE 8/17/89 TELETYPE REQUESTED CONSENSUAL MONITORING AUTHORITY FROM DOJ FOR A 30-DAY PERIOD COMMENCING 9/25/89, INASMUCH AS WATSON HAS BEEN SERVED WITH A FEDERAL GRAND JURY (FGJ) SUBPOENA TO TRAVEL TO SAIPAN TO COMMENCE HIS ROLE AS A COOPERATING SUBJECT WITH THE FBI. THAT TELETYPE ALSO SET OUT LEADS FOR DETROIT AND WMFO IN AN EFFORT TO SUBSTANTIATE ALLEGATIONS MADE BY WATSON AND TO VERIFY HIS VERACITY.

ON 9/8/89, AUSA [redacted] SAIPAN, CNMI, ADVISED HE HAD BEEN TELEPHONICALLY CONTACTED BY [redacted] NEW YORK, NEW YORK, TELEPHONE [redacted] WHO IS WATSON'S ATTORNEY. [redacted] ADVISED THAT [redacted] HAD BEEN SERVED WITH A FGJ SUBPOENA FROM THE MIDDLE DISTRICT OF PENNSYLVANIA FOR [redacted] WHICH ARE TO BE RETURNED TO THE FGJ ON [redacted]

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Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

FD-36 (Rev. 8-26-82)

FBI

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☐ Teletype
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☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE THREE DE HN (194B-121) UNCLAS E F T O

[redacted] b3 b6 b7C

[redacted] FURTHER ADVISED THAT THE SUBPOENA HAD BEEN SERVED IN COOPERATION WITH SA [redacted] WILLIAMSPORT, PENNSYLVANIA, AND AUSA [redacted] MIDDLE DISTRICT OF PENNSYLVANIA, LEWISBURG, PENNSYLVANIA.

IT IS IMPERATIVE THAT HONOLULU AT SAIPAN RA BE ADVISED OF PHILADELPHIA INVESTIGATION AS OUTLINED ABOVE BEFORE WATSON'S DEPARTURE FROM MICHIGAN TO SAIPAN ON 9/24/89. AUSA [redacted] b6 b7C BELIEVES THAT HONOLULU'S INVESTIGATION REGARDING CAPTIONED MATTER WILL BE SIGNIFICANTLY WEAKENED IF WATSON HAS BEEN INVOLVED IN RECENT FELONIOUS ACTIVITY WHILE INCARCERATED AT THE FCP.

PHILADELPHIA DIVISION AT WILLIAMSPORT, PENNSYLVANIA, WILL SUTEL OUTLINING INVESTIGATION INTO WATSON'S ACTIVITIES WHILE INCARCERATED, INCLUDING FGJ ACTIVITIES AND PROSECUTIVE STATUS.

BT

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

SEP 8 '89 15:03 PAGE.001

FD-448 (Rev. 3-7-88)

SEP 8 1989 EXPEDITE!

Guam FAX 671-477-5681

Transmit attached by Facsimile

PRECEDENCE: 009
- ☐ Immediate
- ☒ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☒ UNCLAS E F T O
- ☐ UNCLAS

To: SAC, HN
~~F.B.I.~~ ~~Honolulu~~ ~~SSRA~~

From:
SA [redacted] (SRA)

b6
b7C

Date 9-8-89

Subject:
194B-HN-121

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☒ Teletype ☐ Other _____

Special handling Instructions: 4-page T/T. AUSA FAX [redacted]

Attn: Steno Pool

[redacted]

Approved: PWM

194B-121-29

SEARCHED-FOIMS MAN
Indexed Serialized Filed
SEP 08 1989
FBI - HONOLULU

[redacted]

FBI/DOJ

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SEP 8 '89 8:30

PAGE.001

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

FM HONOLULU (194B-[redacted]-121) (P) (SRA)

TO PHILADELPHIA (WRA) /PRIORITY

BT

UNCLAS E F T O

CITE: //3280:6680//

PEDRO T. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOS); [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; BARTON HARRY WATSON, III, AKA BARRY WATSON, ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; [redacted] [redacted] BOARD OF DIRECTORS, (EOD), ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI; JAMES E. HAWKINS; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - LOCAL LEVEL; OO: HONOLULU.

b6
b7C

REFERENCE HONOLULU TELETYPE TO FBINQ, 8/17/89; PHILADELPHIA TELETYPE TO HONOLULU, 7/11/89; AND HONOLULU TELETYPE TO PHILADELPHIA, 6/14/89.

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

★U.S. GPO: 1987 — 181-45

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO HN 194B-HN-121 UNCLAS E F T O

6/14/89 TELETYPE OUTLINED ALLEGATIONS REGARDING CAPTIONED MATTER AND THE FACT THAT SUBJECT WATSON HAD VOLUNTEERED TO COOPERATE WITH THE FBI IN ITS INVESTIGATIVE EFFORTS. THE 7/11/89 TELETYPE FROM THE WILLIAMSPORT RA, PHILADELPHIA DIVISION, ADVISED HONOLULU THAT WATSON EXPRESSED FULL COOPERATION AS A GOVERNMENT WITNESS IN CAPTIONED MATTER. THE 8/17/89 TELETYPE REQUESTED CONSENSUAL MONITORING AUTHORITY FROM DOJ FOR A 30-DAY PERIOD COMMENCING 9/25/89 INASMUCH AS WATSON WAS SERVED WITH A FEDERAL GRAND JURY (FGJ) SUBPOENA TO TRAVEL TO SAIPAN TO COMMENCE HIS ROLE AS A COOPERATING SUBJECT WITH THE FBI. THAT TELETYPE ALSO SET OUT LEADS FOR DETROIT AND WMFO IN AN EFFORT TO SUBSTANTIATE ALLEGATIONS MADE BY WATSON AND TO VERIFY HIS VERACITY.

ON 9/8/89, AUSA [redacted] SAIPAN, CNMI, ADVISED HE HAD BEEN TELEPHONICALLY CONTACTED BY [redacted], [redacted], NEW YORK, NEW YORK, TELEPHONE [redacted], WHO IS WATSON'S ATTORNEY. [redacted] ADVISED THAT [redacted] HAD BEEN SERVED WITH A FGJ SUBPOENA FROM THE

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b6
b7C

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

*U.S. GPO: 1987 — 181-48

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
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☐ UNCLAS

Date _____

PAGE THREE HN 194B-HN-121 UNCLAS E F T O

MIDDLE DISTRICT OF PENNSYLVANIA [redacted] WHICH ARE TO BE RETURNED TO THE FGJ ON [redacted] b3 b6 b7C [redacted] FURTHER ADVISED THAT THE SUBPOENA HAD BEEN SERVED IN COOPERATION WITH SA [redacted] WILLIAMSPORT RA, AND AUSA [redacted] MIDDLE DISTRICT OF PENNSYLVANIA, LEWISBURG, PENNSYLVANIA.

IT IS IMPERATIVE THAT HONOLULU AT SAIPAN RA BE ADVISED OF PHILADELPHIA INVESTIGATION AS OUTLINED ABOVE BEFORE WATSON'S DEPARTURE FROM MICHIGAN TO SAIPAN ON 9/24/89. AUSA [redacted] b6 b7C BELIEVES THAT HONOLULU'S INVESTIGATION REGARDING CAPTIONED MATTER WILL BE SIGNIFICANTLY WEAKENED IF WATSON HAS BEEN INVOLVED IN RECENT FELONIOUS ACTIVITY WHILE INCARCERATED AT THE FCP.

PHILADELPHIA DIVISION AT WILLIAMSPORT, PA, WILL SUTEL OUTLINING INVESTIGATION INTO WATSON'S ACTIVITIES WHILE

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

* U.S. GPO: 1987 — 181-4

PAGE.004 SEP 8 '89 9:31

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
- ☐ Teletype
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PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date _____

PAGE FOUR HN 194B-HN-121 UNCLAS E F T O

INCARCERATED, INCLUDING FGJ ACTIVITIES AND PROSECUTIVE

STATUS.

BT

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

*U.S. GPO: 1987 — 181-44

Memorandum

To : Office of Enforcement Operations
Criminal Division

Date August 30, 1983

From : Director, FBI

Subject : Pedro P. Tenorio, Governor, Commonwealth of the Northern Mariana Islands (CNMI); et al; Corruption of State and Local Public Officials

89 SEP -1 PM 4:25
RECEIVED
OFFICE OF ENFORCEMENT OPERATIONS

ACTION MEMORANDUM

Enclosed is a copy of a communication which furnishes information concerning a current investigation.

✓ Pursuant to the Attorney's General's Memorandum of November 7, 1983, captioned "Procedures for Lawful, Warrantless Interceptions of Verbal Communications," addressed to the Heads and Inspectors General of Executive Departments and Agencies, the following notification/request is being made relative to the authorization to utilize an electronic device to monitor and record private non-telephonic conversations with the consent of a party.

_____ Pursuant to Attorney General's Order Number 985-82, dated August 6, 1982, captioned "Delegation of Authority to Authorize Television Surveillance, "the following notification/request is being made relative to the authorization to utilize Closed Circuit Television (CCTV) surveillance in connection with captioned matter.

_____ 1. Emergency authority to utilize an electronic device to record private non-telephonic conversations with the consent of a party was granted by an appropriate FBI official on _____ __, ____ for 30 days ending _____ __, ____. Exigent circumstances precluded a request for authorization in advance.

_____ 2. Emergency authorization to utilize Closed Circuit Television (CCTV) surveillance in connection with captioned matter was granted by appropriate FBI official on _____ __, ____ for 30 days ending _____ __, ____. Exigent circumstances precluded a request for authorization in advance.

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b7C

194B-121-30

SEARCHED-FOIMS____ MAN____
Indexed___ Serialized___ Filed___
SEP 11 1989
FBI - HONOLULU

#5

Memorandum from Director, FBI to Office of Enforcement Operations
Re: Pedro P. Tenorio, Gouenor; et al; Corruption of State And Local Public officials

_____3. As further utilization of an electronic device to monitor and record private non-telephonic conversations with the consent of a party is expected in this matter, it is requested that you approve the use of this equipment for a period of ___ days beginning _____ __,____.

_____4. As further use of CCTV is expected in this matter, it is requested that your office approve the use of this equipment for a period of __ days beginning _____ __, ____.

✓ 5. Non-emergency authorization is requested for the utilization of an electronic device to monitor and record private non-telephonic conversations with the consent of a party for a period of 30 days beginning September 25 1989.

_____6. Non-emergency authorization is requested for the utilization of CCTV surveillance for a period of ___ days beginning _____ __, ____.

The use of these electronic devices in this case is being recommended in this best interest of effective law enforcement in that they are expected to provide corroborative evidence and/or protect the individual(s) utilizing the equipment.

The use of CCTV will not involve any trespass and it will be utilized only when a consenting party is preset.

Enclosure

[illegible] to the Authority of the
[illegible] General 11-7-88)

Gerald Shur
Senior Associate Director
Office of Enforcement Operations

Date: SEP 1

]0001 MRI 02054

OO RUEHFB FBIHN

DE FBIWMFO #0045 2650150

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FM FBI WMFO (194B-HQ-121) (C-2) (P) (NVRMA)

TO DIRECTOR FBI/PRIORITY/

FBI HONOLULU (194B-HO-121) (P) (SRA)/IMMEDIATE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3920//

PASS: SA [redacted] SAIPAN RESIDENT AGENCY, AND PUBLIC CORRUPTION DESK HONOLULU SUPERVISOR.

b6
b7C

SUBJECT: PEDRO P. TENORIO; GOVERNOR; COMMONWEALTH OF THE NORTHERN MARINANA ISLANDS (CNMI); ET AL; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS-LOCAL LEVEL; OO: HONOLULU.

RE HONOLULU PRIORITY TEL, DATED AUGUST 18, 1989, TEL CALL BETWEEN SRA CASE AGENT [redacted] AND WMFO AGENT [redacted] ON, SEPTEMBER 15, 1989.

Note #5: Call SA [redacted] to [illegible] read teletype to SRA [illegible] on fax to SRA 9/21/89 Done SA 9/22/89

#5

194B-121-32

SEARCHED-FOIMS____ MAN____
Indexed___Serialized___ Filed___
SEP 21 1989
FBI - HONOLULU

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b7C

FOR INFORMATION OF RECIEVING; INDICES REFERENCES PURSUANT TO CHECKS CONDUCTED AT WMFO NOT DEEMED PERTINENT TO THIS CASE, AND THERFORE, CONSIDERED NEGATIVE:

ON SEPTEMBER 14, 1989, JAMES E. HAWKINS WAS INTERVIEWED BY BU AGENTS AT NVRMA AND FOUND TO BE COOPERATIVE. COMPLETE DETAILS OF THIS INTERVIEW TO BE FURNISHED BY FACSIMILIED 302 FOLLOWING THIS COMMUNICATION. (DETAILS PREVIOUSLY DISCLOSED DURING ABOVE REF TEL CALL).

ON SEPTEMBER 19, 1989, [redacted] WAS INTERVIEWED AT NVMRA ACCOMPANIED BY CORPORATE ATTORNEY FOR SHEARSON LEHMAN AND HUTTON. [redacted] FURNISHED DETAILS RELATIVE TO THE QUESTIONS SET FORTH IN AUGUST 18, 1989, HONOLULU TEL AS FOLLOWS: QUESTION A. CONCERNING INTRODUCTION TO [redacted] [redacted] CALLED [redacted] IN HONG KONG AND SET UP A MEETING BETWEEN [redacted] AND WATSON IN HONK KONG. [redacted] AND WATSON ACTUALLY MET [redacted] IN HONG KONG APPROXIMATELY JULY, 1984. [redacted] GAVE [redacted] NAME AND ADDRESS AND PHONED IN ADVANCE. [redacted] STOPPED IN THE PHILIPINNES WITH WATSON FIRST, THEN TRAVELED TO HONG KONG FOR THE PURPOSE OF MEETING [redacted] ADVISED RELATIVE TO THE PURPOSE OF THIS MEETING, "BARTON (WATSON) DID A DOG AND PONY SHOW ABOUT WHAT E.F. HUTTON COULD DO FOR HIS [redacted] COMPANY". AFTER A

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20 MINUTE PRESENTATION, THE TWO, [redacted]/WATSON, LEFT. [redacted] [redacted] "WAH KWONG" SHIPPING IN HONG KONG. [redacted] ADVISED [redacted] THAT, '[redacted] HAD BEEN AT ONE TIME, [redacted] b6 b7C THE CONTINENTAL, OR HYATT REGENCY HOTEL OF SAIPAN.

QUESTION B. MEETING AT LONDON, ENGLAND WITH HILLBLOM AND OTHER BOS OFFICIALS (TO INCLUDE [redacted].

[redacted] CONFIRMED THAT MEETINGS DID TAKE PLACE AT LONDON FOR SEVERAL REASONS. HE EXPLAINED THAT HILLBLOM IS THE PART OWNER OF DHL, AN INTERNATIONAL COURIER COMPANY, HEAD QUARTERED IN LONDON. A SEPTEMBER, 1984, MEETING TOOK PLACE AT LONDON DHL HEADQUARTERS OFFICES, "MERELY FOR THE PURPOSE OF DISCUSSING WHAT E.F. HUTTON COULD DO FOR DHL". [redacted] WAS PRESENT DURING THIS MEETING, AS b6 b7C [redacted] OF DHL, LOCATED IN HONG KONG, HILLBLOM WAS PRESENT AS WAS WATSON AND [redacted], AS WELL AS 3 ADDITIONAL DHL TOP LEVEL MANAGERS. A SECOND MEETING TOOK PLACE (SAME DATE), AT THE E.F. HUTTON OFFICES IN LONDON. THIS MEETING CONCERNED BANK OF SAIPAN MATTERS. PRESENT DURING THE SECOND MEETING WERE [redacted] WATSON HILLBLOM ALONG WITH SEVERAL E.F. HUTTON OFFICE MANAGERS. RELATIVE TO DISCUSSIONS ON BOS, THIS MEETING CONCERNED THE POSSIBILITY OF PRESENTING AN E.F.

HUTTON PROGRAM TO THE BANK OF SAIPAN, WHEREBY THE BANK, WITH E.F. HUTTON BACKING COULD INCREASE THEIR LENDING BASE. NO ACCOUNTS WERE OPENED FOR HILLBLOM IN LONDON OR GENEVA, [redacted] ADVISED, "I HAVE NO ACCOUNTS FOR HILLBLOM ANYWHERE IN THE WORLD". b6 b7C

QUESTION C. (BOS) WAS NEVER USED AS ANY INTERMEDIARY BEIWEEN THE EDLF BOARD OF DIRECTORS AND E.F. HUTTON IN THE ADMINISTRATION OF THE FUND ACCOUNT.

QUESTION D. [redacted] NEVER MET WITH GOVERNOR TENORIO PRIVATELY, NOR DID HILLBAUM OR HAWKINS EVER TELL [redacted] THE GOVERNOR WOULD MAKE SURE THE EDLF BOARD OF DIRECTORS WOULD APPROVE THE OPENING OF THE E.F. HUTTON ACCOUNT. THE GOVENOR NEVER REQUESTED ANY COMPENSATION FROM ROLAND OR E.F. HUTTON TO [redacted] KNOWLEDGE. b6 b7C

[redacted] FELT THAT EVEN IF HE WANTED TO, GOVENOR TENORIO COULDN'T HAVE MADE THIS GUARANTEE BECAUSE [redacted] OF THE EDLF BOARD OF THE DIRECTORS) OPPOSED GOVENOR TENORIOR DURING HIS LAST ELECTION. THE INFERENCE HERE IS THAT [redacted] WOULD HAVE PREVENTED THE GOVENORS ATTEMPTS AT DIRECTING THE FUND. [redacted] WENT SO FAR AS TO SAY [redacted] EVENTUALLY LEFT SALPAN BECAUSE OF HIS OPPOSITION TO THE GOVENOR'S ELECTION. b6 b7C

QUESTION E. [redacted] MET [redacted] ONLY ONCE,

IN 1985. THE MEETING LASTED NO MORE THAN SEVERAL MINUTES, "TO SAY HELLO". THIS MEETING OCCURRED AT THE 19TH HOLE GOLF CLUB IN SAIPAN. NO DISCUSSIONS ON POLITICAL INFLUENCE OR METHODS OF CONDUCTING BUISNESS IN MICRONESIA WERE DISCUSSED; NOR HAS [redacted] HAD SIMILAR DISCUSSIONS WITH LARRY HILBLOM. [redacted] NEVER MET HILBLOM IN SAIPAN; [redacted] HAS MET WITH HILLBLOM ONCE IN LONDON, ONCE IN NEW YORK, AND TWO TIMES IN WDC. b6 b7C

NO INDIVIDUALS CONFIDED IN [redacted] THAT CONSULTANT SERVICES OF CNMI OFFICIAL WOULD BE REQUIRED IN ORDER FOR EDLF TO BE INVESTED WITH E.F. HUTTON. [redacted] NEVER RECIEVED COMPENSATION FOR HIS ROLE IN SECURING THE SEVEN MILLION KOLLAR ACCOUNT FOR E.F. HUTTON, AS THE ACCOUNT WAS CALLED BACK AND NEVER FINALIZED. b6 b7C

IN TERMS OF PAYMENTS NORMALLY RECIEVED BY [redacted] HE ONLY RECEIVES A FINDERS FEE IN CASES WHERE HE DEVELOPS CLIENTS WHO INVEST IN BOND ISSUES. IN THIS CASE THE FEE IS A SET PERCENTAGE OF THE MONEY INVESTED BY THE CLIENTS.

NORMALLY HIS COMMISSIONS ON ROUTINE ACCOUNTS, RUN 1-2 PERCENT PER ACCOUNT PER YEAR.

ON SEPTEMBER 20, 1989, AUSA [redacted] PROVIDED THE FOLLOWING INFORMATION ON BARTON H. WATSON, DOB: OCTOBER 18, 1957, b6 b7C

PAGE SIX DE FBIWMFO 0045 UNCLAS

SSAN: 381-78-3111, DOJ FILE NUMBER: 870088, PUBLIC CASE FILE NUMBER: 87-0090. INVESTIGATING AGENCY WAS THE FBI, CASE AGENT WAS WMFO AGENT [redacted].

ON DECEMBER 1, 1986 AN ARREST WARRANT WAS ISSUED IN THE U.S. DISTRICT COURT, DISTRICT OF COLUMBIA SUPPORTED BY AN AFFIDAVIT FILED BY [redacted]. THE WARRANT CHARGES THAT, WATSON WITH UNLAWFUL AND FRAUDULENT INTENT, DID CAUSE TO BE TRANSPORTED IN INTERSTATE COMMERCE FROM THE DISTRICT OF COLUMBIA TO THE STATE OF OHIO, SECURITIES VALUED AT APPROXIMATELY, $10,000, KNOWING SAME TO HAVE BEEN STOLEN, CONVERTED OR TAKED BY FRAUD, IN VIOLATION OF TITLE 18, US CODE, SECTION 1341 (MAIL FRAUD).

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WATSON WAS ARRESTED IN SAN FRANSICO ON DECEMBER 22, 1986; HE WAIVED PRELIMINARY HEARING AND WAS EXTRADITED TO WDC, FEBRUARY 17, 1987, WERE HE ENTERED INTO DISCUSSIONS WITH COUNSEL FOR A PLEA AGREEMENT.

AT THIS TIME [redacted] PROFFERED THE FOLLOWING IN SUPPORT OF THE PLEA AGREEMENT:

THAT FROM MAY, 1982 UNTIL JANUARY 28, 1985, WATSON WAS AN ACCOUNT EXECUTIVE IN THE D.C. OFFICES IN E.F. HUTTON.

BT

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DE FBIWMFO #0046 2650152

ZNR UUUUU

O 212221Z SEP 89

FM FBI WMFO (194B-HQ-121) (C-2) (P) (NVRMA)

TO DIRECTOR FBI/PRIORITY/

FBI HONOLULU (194B-HO-121) (P) (SRA)/IMMEDIATE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3920//

PASS: SA [redacted] SAIPAN RESIDENT AGENCY, AND PUBLIC

CORRUPTION DESK HONOLULU SUPERVISOR.

SUBJECT: PEDRO P. TENORIO; GOVERNOR; COMMONWEALTH OF THE

NORTHERN MARINANA ISLANDS (CNMI); ET AL; CORRUPTION OF STATE AND

LOCAL PUBLIC OFFICIALS-LOCAL LEVEL; OO: HONOLULU.

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b7C

TEXT CONTINUES:

ON JANUARY 18, 1985, WATSON MET IN NEW YORK WITH [redacted]

AN E.F. HUTTON, AN INVESTOR WITH WHOM HE HAD BEEN DEALING SINCE

NOVEMBER, 1982.

WATSON TOLD [redacted] THAT SHE WAS ACCUMULATING TO MUCH CASH IN HER "ASSET MANAGEMENT ACCOUNT". HE TOLD HER THERE WAS AN INVESTMENT CALLED POTOMAC LEASING, WHICH WAS AN S&P RATED TRIPLE A BOND, PAYING A HIGHER INTEREST THAN HER MONEY MARKET FUND.

WATSON TOLD [redacted] THAT THE E.F. HUTTON OPPORTUNITY TO INVEST IN POTOMAC LEASING HAD CLOSED; BUT THAT ALTHOUGH THE HUTTON OPPORTUNITY HAD CLOSED, SHE COULD STILL GET INTO THE INVESTMENT THRU HIM. WATSON ASKED [redacted] TO SEND HIM $15,000.00 IMMEDIATELY.

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ON JANUARY 19, 1985, [redacted] PLACED IN U.S. MAIL DEPOSITORY AN ENVELOPE WITH A $15,000.00 CHECK ADDRESSED TO WATSON AT HIS HOME IN WASHINGTON, D.C.

EVIDENCE INDICATED POTOMAC LEASING WAS NEVER AN E.F. HUTTON SPONSERED INVESTMENT, NOR WAS IT A BOND OPPORTUNITY AS REPRESENTED BY WATSON. POTOMAC LEASING WAS MERELY AN ENTITY SET UP FOR THE PERSONAL BENEFIT OF WATSON.

BASED INPART UPON THIS INFORMATION, AND ADDITIONAL FACTS NOT SET FORTH FURTHER IN THIS COMMUNICATION; ON MARCH 28, 1987, WATSON PLED GUILTY TO ONE COUNT OF MAIL FRAUD.

ON MAY 11, 1987, WATSON WAS SENTENCED TO ONE TO THREE YEARS WITH RESTITUTION OF $230,00; TO BE INCARCERATED WHEN AN

INSTITUTION WAS DESIGNATED. THIS INSTITUTION WAS BELIEVED TO BE LEWISBURG, PA.

FACSIMILE COPY OF 302 OF HAWKINS INTERVIEW TO FOLLOW AS EXPEDITIOUSLY AS POSSIBLE; ORIGINAL 302 OF BOTH HAWKINS AND [redacted] INTERVIEWS WILL FOLLOW UNDER COVER OF A SEPARATE RUC COMMUNICATION; IN A TIMELY FASHION.

b6
b7C

BT

#0046

NNNN

Post Office Box 50164
Honolulu, Hawaii 96850
September 14, 1989

Honorable D. Paul Vernier, Jr.
Acting United States Attorney
Suite 502-A
238 Archbishop Flores Street
Agana, Guam 96910

b6
b7C

Attention: [redacted]
Assistant United States Attorney

Re: PEDRO T. TENORIO, GOVERNOR;
LARRY L. HILLBLOM;
BARTON HARRY WATSON, III

Dear Mr. Vernier:

The purpose of this letter is to confirm information furnished to AUSA [redacted] on August 15, 1989, and September 14, 1989, by SA [redacted].

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AUSA [redacted] was advised of information and details regarding above referenced matter. The usage of telephone and non telephone monitoring equipment to record conversation in regard to the referenced investigation was discussed with AUSA [redacted]. He advised that he fully concurs with the use of telephone monitoring equipment and body recorders in this investigation and does not believe there is any problem with entrapment.

Thank you for your assistance in this matter.

Sincerely yours,

Eugene F. Glenn
Special Agent in Charge

By: [redacted]
Supervisory Senior Resident Agent

1 - Addressee
(2) - 194B-HN-121
JDG:rg (3)
4

1-66F-790 Sub B

194B-121-33
Searched
Indexed
Serialized
Filed
[redacted]
SSRA

b6
b7C

Memorandum

To : SAC, HONOLULU (194B-HN-121)(P) Date 9/14/89

From : SA [redacted] (SRA)

Subject : PEDRO P. TENORIO, GOVERNOR, CNMI;
LARRY L. HILLBLOM; ET AL; b6 b7C
CSLPO - LOCAL LEVEL;
OO: HONOLULU

BARTON WATSON;
[redacted]
TGP - OTHER;
OO: PHILADELPHIA

On 9/14/89, the writer returned a telephone call to SA [redacted] Williamsport, Pennsylvania, Resident Agency, telephone [redacted], regarding the TGP matter as captioned above. SA [redacted] confirmed information previously received at the Saipan RA via teletype from Detroit regarding subject WATSON's involvement in a scheme to steal computer programming materials from the FEDERAL PRISON CAMP (FPC), Allenwood, Pennsylvania, while WATSON was incarcerated there. b6 b7C

SA [redacted] further advised that WATSON was not rehabilitated during his prison stay and it appeared that he honed his skills as a con man. SA [redacted] cautioned the writer in attempting to utilize WATSON's voluntary services as a cooperating subject in Honolulu's investigation as captioned above, and added that WATSON is not to be trusted. SA [redacted] related an incident that occurred after WATSON left the FPC and was travelling to Belding, Michigan. According to WATSON's probation officer, WATSON spent approximately one week in Detroit, Michigan, where he convinced the management of a major hotel that he was the front man for a world-wide electronics firm that desired to establish a research and manufacturing plant in Detroit. WATSON reserved two floors of rooms at the hotel for the future visit of the firm's business executives. The hotel then treated WATSON to a suite of rooms and free meals during his stay in Detroit. WATSON then left for Belding, Michigan, without paying for any of the services at the hotel. b6 b7C

JDG:rg
(2)

194B-121-34

Indexed Serialized Filed

SEP 16 1989

FBI - HONOLULU

[redacted] b6 b7C

On 9/14/89, the above was discussed with Assistant United States Attorney (AUSA) [redacted] at Saipan, CNMI. AUSA [redacted] was not dissuaded from utilizing WATSON as a cooperating witness in Honolulu's investigation. He stated that WATSON will arrive in Saipan on Northwest flight number 60 at 1:05a.m. on 9/24/89 in conjunction with a Federal Grand Jury (FGJ) subpoena that was served on WATSON for his testimony on 9/26/89. AUSA [redacted] said that WATSON will be departing Saipan on Northwest flight number 61 at 2:00p.m. on 9/27/89. WATSON has made arrangements for a hotel room at the Pacific Islands Club - Saipan and will also make arrangements for his own car. b6 b7C

In an effort to provide a secure location in debriefing WATSON, [redacted] arranged for a room at the SUMMER HOLIDAY HOTEL, Saipan, CNMI, from 9/24-27/89. [redacted] further arranged for a reduction in price from $75.00 to $55.00 per night. b2 b7D

Inasmuch as AUSA [redacted] desires to continue to utilize the voluntary services of WATSON, the writer will also arrange to provide physical surveillance of WATSON in an effort to monitor his activities and contacts while on Saipan. b6 b7C

FD-448 (Rev. 9-18-78)

Transmit attached by Facsimile - UNCLAS Precedence _____

SAC HONOLULU FILE 194B-HO-121

ATTENT: PUBLIC CORRUPTION DESK

To: AN SRA [redacted] Date: 9/22/89

From: SA. [redacted] C-2 WMFO/NUMIRA Time: Transmitted -

Subject: PEDRO P. TENORIO ETAL Initials -
(S.L.P. - LOCAL LEVEL
OO:HO

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☑ Other 302 OF INTERVIEW W/ JAMES HAWKINS

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b7C

Special handling instructions:

194A-121-35

SEARCHED-FOIMS MAN
Indexed Serialized Filed
SEP 22 1989
FBI - HONOLULU

#5

Approved: _____ SSRA

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/14/89

JAMES EDGAR HAWKINS, voluntarily appeared at the Northern Virginia Metropolitan Resident Agency, of the Federal Bureau of Investigation for interview. After being advised as to the identities of the interviewing Special Agents, (SA)s [redacted] and [redacted], by a display of credentials and as to the nature of the interview, he there after provided they following information. b6 b7C

HAWKINS is a retired federal government employee, and is currently self employed. He has worked with the U.S. Peace Corps, the U.S. Department of Commerce, and the U.S. Department of Interior. HAWKINS' last period of government employment was with the Department of Interior. He served in the U.S. Army, during World War II, as an Infantry Officer in the "Italian Campaign".

He has received 2 degrees from Penn State university, a Bachelor of Arts and a Masters in Education. He continued his education at Sanford University for the purposes of obtaining his Doctorate, however he never completed this course of study. HAWKINS' area of study through out his college career was the field of education.

During the, "late 50s to early 60s" HAWKINS was the Area Director, of the Bureau of Indian Affairs in two regions, Juneau. Alaska and Minneapolis, Minnesota. In 1964 he transferred to the Pacific Islands, in Saipan as Commissioner of Health and Education. In 1972 he rejoined the Department of Interior as Director of Education, for the Bureau of Indian Affairs. He retired from this position in 1976; this marked the end of his government career.

Circa 1979, while in Saipan, HAWKINS created a consulting firm identified as COMMON WEALTH PACIFIC CORPORATION (CWPC). This firm was incorporated at this time as well. HAWKINS has done no work (conducted business) as CWPC "within the last year or so". HAWKINS most recent consulting contracts concern 2 companies identified as VINNELL, located in Virginia and JOHN R. SHORT and ASSOCIATES, (JRS) located in Columbia, Maryland. The bulk of his current business interests involve work with American Indian Tribes.

Investigation on 9-14-89 at TYSONS, VIRGINIA File # WMFO 194B-HO-121

by SA SA [redacted] SRS/srs Date dictated 9-14-89 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FD-302a (Rev. 11-15-83)

WMFO 194B-HO-121

Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 2

HAWKINS described his consulting work as, "helping American Companies penetrate new markets". His fees for this service run approximately $400 per day, pro rated.

His last active work in the Pacific Islands concerned a successful contract obtained for JOHN R. SHORT and ASSOCIATES (JRS). JRS (a health care and consulting firm) was able to obtain a hospital contract on the island of MOEN, in the Truk Island Atoll. The contract is actually with TRUK STATE HOSPITAL. This successful contract was negotiated approximately 1 year ago. HAWKINS has done no work in the Pacific Islands since.

In terms of further defining his occupation/business interests, HAWKINS advised that he watches for potential business opportunities and shapes them to the needs of his clients/contacts. HAWKINS identifies markets/opportunities, then based upon the particular need, identifies a firm that is best suited to fill this need. He then contacts the president of the firm, and/or the head the corresponding government agency, and then attempts to sell his proposal. HAWKINS noted that he has always been good at writing proposals. He watches for these opportunities by subscribing to numerous local newspapers, travel magazines, government periodicals and by staying in touch with his many contacts through out the world.

HAWKINS business interests in the Pacific Islands have tapered of in recent years for some of the following reasons. First is the fact that travel time is so long and expensive. Second is the fact that his contacts in that area are not as good as they once were. Third is the fact that new nations such as those now in the islands are not very wealthy.

HAWKINS became involved in the COMMONWEALTH OF THE NORTHER MARIANA ISLAND (CNMI) in following manner. Before the New Nations of the pacific island became established as COMMONWEALTHS, U.S. Government Funds were set aside to aid in the economic development of these nations. The funds were to be operated as a revolving loans, and were place in Certificates of Deposit (CD)s in local banks. HAWKINS believed 4 banks were involved in holding of these funds. He identified these banks as 1.) The Bank of Guam, 2.) The Bank of California, 3.) The Bank of Hawaii, and 4.) the locally chartered Bank of Saipan. HAWKINS became aware of the fund by reading publicly available government source information.

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Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 3

The U. S. Department of Interior was the source of this information and Hawkins stressed that it, (the information) was available through public documents.

Funds were originally set aside for the CNMI based upon a request made by the Governors Office of the CNMI. HAWKINS knows the current governor of the CNMI, (PEDRO P. TENORIO) from the time he (HAWKINS) resided in Saipan, circa 10/64 to 8/68. HAWKINS referred to TENORIO as "PETE" on numerous occasions. When TENORIO and HAWKINS became acquainted during this 64/68 time frame, TENORIO was the manager of a Saipan shipping company.

Upon reviewing the Department of Interior information, HAWKINS realized that an opportunity existed, in terms of a potential business venture. It was clear to HAWKINS that a company like E.F.HUTTON might be able to take advantage of this opportunity.

HAWKINS was introduced to [redacted] and BARTON WATSON aka, "BARRY" both of E.F.HUTTON by an acquaintance of his, identified as [redacted] was at the time, [redacted] of a small Virginia based firm identified as AGRI QUEST. AGRI QUEST is no longer in business. b6 b7C

As a result of the introduction and the ensuing business proposal, [redacted] WATSON and HAWKINS were in routine contact for approximately 3 years. After some time WATSON "mysteriously" dropped out of the picture for reasons unknown to HAWKINS. HAWKINS presumed that WATSON got in to some type of trouble over mismanagement of an account. He presumed this fact guessing this was the case, drawing upon past experience that when an account executive is dismissed from a company, it is usually for this type of reason. HAWKINS last spoke with WATSON in 1982. HAWKINS believes [redacted] is still with HUTTON. b6 b7C

HAWKINS saw [redacted] as recently a year and a half ago at a party at [redacted] house. The party was in celebration over E.F.HUTTON successfully obtaining an asset management account in the MARSHALL ISLANDS. HAWKINS was involved in the contract in so far as he served to make the initial contacts possible, between the E.F.HUTTON representative [redacted] and representatives of the government of the MARSHALL ISLANDS. HAWKINS identified these individuals as OSCAR deBRUM Chief Secretary of the MARSHALL ISLANDS and AMATA KABUA President of the MARSHALL ISLANDS. b6 b7C

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Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 4

HAWKINS received less than $10,000 for his part in the MARSHALL ISLANDS management account, the last payment being received by him approximately one half year ago.

Relative to the initial meeting between [redacted] WATSON and HAWKINS, concerning the ECONOMIC DEVELOPMENT LOAN FUND, (EDLF) for CNMI. [redacted] told HAWKINS that he felt that the funds would yield a higher rate of interest if managed by E.F HUTTON, rather than to just leave them in CDs. b6 b7C

HAWKINS originally set the time frame for his initial introductions to [redacted] and WATSON as the, "early 80s, shortly after the governor (TENORIO) had been elected or inaugurated, possibly in 1982". He couldn't be positive of the exact dates without his appointment book. He also recalled setting up an appointment for a meeting with the governor, and driving [redacted] and WATSON to the governors office. HAWKINS first called the governors business office for the appointment. He recalled the meeting took place in the governors office and all 4 individuals, TENORIO, HAWKINS, [redacted] and WATSON, participated b6 b7C

HAWKINS recalled a second meeting between the governor and WATSON, which took place some time after the initial meeting. HAWKINS recalled WATSON came to the islands alone and the two met in Saipan. HAWKINS was already in Saipan. This meeting had been prearranged while both HAWKINS and WATSON were in the states. HAWKINS believed the purpose for the second meeting concerned WATSONS' desire to discuss with the governor, E.F. HUTTON'S bid for management of the Economic Development Loan Fund, and to discuss some public works contracts concerning the harbor and airport in Saipan. When asked if he participated in this second meeting HAWKINS was not sure but replied, "seems to me I did". HAWKINS opined that he drove to this second meeting as well. Subsequent to this second meeting and on the same day, both HAWKINS and WATSON were invited to a luncheon being given at the governors office. HAWKINS did not think any business was discussed at the luncheon as this would have been highly unusual.

At no time was HAWKINS involved in any discussions concerning the possibility that kickbacks might be required before E.F. HUTTON received the management contract. HAWKINS denied ever offering the same to anyone. HAWKINS never heard of a special fund allegedly asked for, or required by TENORIO, and he suspected no

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Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 5

illegal (bribe related) activity concerning the business dealings of E.F. HUTTON and the CNMI. HAWKINS agreed to consult his appointment book for the purpose of providing more specific dates relative to the travel and meetings listed above.

HAWKINS recalled the CNMI, EDLF management account was at first given to E.F. HUTTON, and both [redacted] and WATSON were elated. However he recalled that the account eventually was called back (not let) and the deal fell through. b6 b7C

Relative to suspecting WATSON or [redacted] of involvement in kickbacks or bribe type activity, HAWKINS advised that he suspects WATSON capable, based upon the suspicious circumstances under which WATSON left E.F. HUTTON. HAWKINS advised [redacted] is the type of person who will skirt the outer limits of legality, as close as possible to get a contract. HAWKINS has no first hand knowledge of any illegal acts committed by either WATSON or [redacted]. He recalled WATSON making the comment, "If we can bring some of these in Jim, (contracts implied), we can make you a wealthy man". b6 b7C

Relative to this contract, HAWKINS stated, "This was the first time I worked on the come". HAWKINS had a verbal agreement with [redacted] only which amounted to him, (HAWKINS) receiving 20 % of all business [redacted] got for E.F. HUTTON in the islands. b6 b7C

The agreement was verbal, non-written bacause, as pointed out by HAWKINS at the time of the interview, it would be illegal for a broker to commit a percentage of anticipated commission to a finders fee.

All of HAWKINS' travel to the islands concerning this project was "piggy-backed", on to travel occurring for the purpose of separate business interests. HAWKINS received no payment or reimbursements from this proposed venture. He did received 4 payments of $2000.00 ea. on the Marshall Islands contract mentioned earlier, and a special $15,000.00 payment for a separate business venture, (presumed having to do with Micronesia but not EDLF related).

Never once through out the course of HAWKINS' involvement in this business proposal did he hear requests for kickbacks, special funds, or requirements of special consultant positions, before E.F. HUTTON would receive the asset management contract of the EDLF.

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Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 6

At the conclusion of the interview HAWKINS advised he would review his 1984 appointment calendar for the purpose of providing specific dates relative to his travel and business appointments in Micronesia.

Later that afternoon (9-14-89), HAWKINS telephonically provided the following details from this appointment book. He was originally introduced to [redacted] and WATSON as stated earlier by [redacted] on 12-6-83. [redacted] then set up an appointment with WATSON and [redacted] on 1-10-84 for the purpose of briefing them on the possibilities in Micronesia. HAWKINS then traveled to Micronesia 1-20-84 through 2-26-84, but neither WATSON nor [redacted] traveled with him. HAWKINS traveled a second time to the same area 3-6-84 through 3-17-84, WATSON and [redacted] might have traveled with him on this trip but he did not however feel this was the case. b6 b7C

HAWKINS felt the trip when he introduced WATSON and [redacted] to TENORIO, occurred 8-3-84 through 8-19-84.

HAWKINS confirmed that WATSON traveled to Micronesia a second time without [redacted] in October/84 because he, (HAWKINS) had to travel to that locale on 10-1-84, for a 5 day business trip. HAWKINS met WATSON there on this travel stating, "WATSON arrived separately from me on 10-4-84". A notation in HAWKINS' appointment book indicated WATSON was to arrive on a flight from Guam at 8:04 am. It was further noted the they had an appointment with TENORIO that same day, Thursday at 10:00 am. HAWKINS commented,"just the two of us". There is a second notation of a lunch appointment on the same day with [redacted] (believed to be [redacted]. HAWKINS presumed that he took WATSON along on this lunch date with [redacted] as well. b6 b7C

On Friday the 9th there is a notation that HAWKINS had a 9:00 am. appointment with [redacted] (believed to be [redacted]. b6 b7C

HAWKINS recalled that on Friday the 9th he also had luncheon with TENORIO after the 9:00 am. appointment with [redacted]. Those present during the luncheon were as follows: HAWKINS, WATSON, TENORIO, members of TENORIOS' family, and "a couple businessmen from JAPAN". b6 b7C

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Continuation of FD-302 of JAMES EDGAR HAWKINS, On 9-14-89, Page 7

HAWKINS cannot specifically remember if WATSON had a private meeting with TENORIO; however, if he did drive WATSON to this kind of meeting, it most likely have occurred on the morning of Friday the 9th, when he (HAWKINS) had the 9:00 am meeting with [redacted]. HAWKINS speculated that he might have dropped WATSON off at TENORIOS office before the 9:00 am meeting, and then caught up with him (WATSON) later at the governors' luncheon. WATSON was definitely at the Friday luncheon. HAWKINS will make this appointment book available for FBI use and retention at a later date. b6 b7C

The following background information on HAWKINS was obtained through observation and/or interview:

JAMES EDGAR HAWKINS
DOB: June 7.1922
POB: Buenos Aries, Chile
SSAN: 218-18-0676
MARITAL STATUS: Separated 3 1/2 yrs
RESIDENCE: 11438 Waterview Cluster
Reston. Virginia 22090
HOME PHONE: (703) 471-1967

194B-HN-121
JDG:rg

On 9/13/89, [redacted] arranged for a room at the SUMMER HOLIDAY HOTEL, Saipan, CNMI, from 9/24-27/89, for the purpose of debriefing cooperating subject BARTON HARRY WATSON, in connection with investigation into 194B-HN-121. The source arranged for the room to be reserved in the name of RICHARD THOMAS and was able to arrange a rate reduction from $75.00 per night to $55.00 per night. b2 b7D

This accommodation will ensure a secure location for the debriefing of the cooperating subject, who has arranged for overnight accommodations at the PACIFIC ISLAND CLUB - Saipan.

Information herein obtained confidentially; informant's name is not to be disclosed in a report or otherwise unless it has been decided definitely that this person is to be a witness in a trial or hearing.

194B-121-36
Indexed Serialized Filed
SEP 16 1989
FBI - HONOLULU
[redacted] b6 b7C

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FM FBI DETROIT (194B-HN-121) (P) (C-3)

TO FBI HONOLULU/ROUTINE/

BT

UNCLAS E F T O

CITE: //3220:2636//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANNA ISLANDS (CNMI); ET AL; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS; OO: HONOLULU.

RE HONOLULU TELETYPE TO DETROIT, DATED SEPTEMBER 30, 1989.

FOR INFORMATION OF HONOLULU, ON OCTOBER 2, 1989, U.S. PROBATION OFFICER CARL [redacted] WAS ADVISED OF BARTON WATSON'S DEPARTURE FROM SAI PAN ON SEPTEMBER 28, 1989, AT 2:00 A.M. [redacted] WAS ALSO ADVISED OF WATSON'S REPRESENTATION OF HIMSELF AS THE EXECUTIVE DIRECTOR OF GRAND CHAMPION RESORTS, PALM SPRINGS, CALIFORNIA; TO THE MANAGEMENT OF ONE SAI PAN RESORT.

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Lead covered 10/16/89.
Neg. teletype Dictated 10/17/89 194B-121-37

SEARCHED-FOIMS MAN
Indexed Serialized Filed
OCT 2 1989
HONOLULU

[redacted]

SSKA

HONOLULU IS ADVISED THAT WATSON HAS UTILIZED THIS PLOY IN THE PAST TO INCUR LARGE LODGING AND ENTERTAINMENT TABS AT VICTIM HOTELS. WATSON PROMISES FUTURE BUSINESS IN RETURN FOR COMPLIMENTARY OR EXCESSIVE VIP TREATMENT. [redacted] HAS REQUESTED TO BE ADVISED IF WATSON ATTEMPTED TO SCAM THIS SAI PAN RESORT IN ANY MANNER.

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HONOLULU AT SAI PAN: WILL CONTACT MANAGEMENT OF THE SAI PAN RESORT MENTIONED IN REFERENCED TELETYPE AND DETERMINE IF WATSON DEFRAUDED OR ATTEMPT TO DEFRAUD THAT RESORT OF FUNDS, GOODS, AND/OR SERVICES.

BT

#0019

NNNN

FD-36 (Rev. 5-26-82)

FBI

TRANSMIT VIA:
- [x] Teletype
- [ ] Facsimile.
- [ ] _____

PRECEDENCE:
- [ ] Immediate
- [ ] Priority
- [x] Routine

CLASSIFICATION:
- [ ] TOP SECRET
- [ ] SECRET
- [ ] CONFIDENTIAL
- [x] UNCLAS E F T O
- [ ] UNCLAS

Date 9/29/89

FM FBI HONOLULU (194B-121) (P)

TO DIRECTOR FBI/ROUTINE/

FBI DETROIT/ROUTINE/

FBI PHILADELPHIA/ROUTINE/

FBI WMFO/ROUTINE/

BT

UNCLAS E F T O

CITE: //3280:6680//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, CNMI, ET AL.; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - LOCAL LEVEL; OO: HONOLULU.

FOR INFORMATION OF FBIHQ, HONOLULU DID NOT AND WILL NOT UTILIZE CONSENSUAL MONITORING TECHNIQUE AS AUTHORIZED BY DOJ REGARDING THIS INVESTIGATION.

HONOLULU APPRECIATES THE TIMELY LEAD COVERAGE AND REPORTING OF PERTINENT INFORMATION BY ALL AUXILIARY OFFICES. AS A RESULT,

JDG:tks
(1)

Approved: _____ Transmitted 004 (Number) 7:17 PM (Time) Per _____

194B-121-39

TKS001W.272

SSCA

Searched.....
Indexed.....
Serialized.....
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FD-36 (Rev. 5-26-82)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☐ _____

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date _____

^PAGE TWO DE HN (194B-121) UNCLAS E F T O

AN EXHAUSTIVE INTERVIEW WAS CONDUCTED OF SUBJECT WATSON ON 9/26/89. HE DEMONSTRATED A SEVERE LACK OF CANDOR AND CREDIBILITY. FURTHERMORE, WATSON WAS NOT USED AS A FEDERAL GRAND JURY WITNESS IN THIS MATTER.

WHILE ON SAIPAN, WATSON'S ACTIVITIES WERE CLOSELY MONITORED. HE WAS OBSERVED WITH LARGE SUMS OF ASIAN CURRENCY. HE REPRESENTED HIMSELF TO THE MANAGEMENT OF ONE SAIPAN RESORT AS THE EXECUTIVE DIRECTOR OF GRAND CHAMPION RESORTS, PALM SPRINGS, CALIFORNIA. BECAUSE OF WATSON'S INCLINATION TOWARDS DISHONESTY, HONOLULU REQUESTS DETROIT TO NOTIFY U.S. PROBATION OFFICER [redacted] [redacted] 137 FEDERAL BUILDING, GRAND RAPIDS, MICHIGAN, THAT WATSON DEPARTED SAIPAN AT 2:00 A.M. ON 9/28/89. HONOLULU IS NOT AWARE OF AUTHORIZATION ALLOWING WATSON TO TRAVEL OUTSIDE THE U.S.

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HONOLULU WILL SUBMIT CON-ARTIST INDEX INFORMATION, FD-761, AND DETAILED LHM.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Memorandum

To : SAC, HONOLULU (194B-HN-121)(P) Date 9/28/89

From : SA [redacted] (SRA)

Subject : PEDRO P. TENORIO, GOVERNOR,
CNMI; ET AL;
CORRUPTION OF STATE AND LOCAL
PUBLIC OFFICIALS - LOCAL LEVEL
OO: HONOLULU

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On 9/22/89, the writer met with Assistant United States Attorney (AUSA) [redacted] regarding the travel of BARTON WATSON, III, a cooperating subject of captioned investigation, in regards to a Federal Grand Jury (FGJ) subpoena previously served on WATSON for his testimony in regards to allegations he made concerning this investigation. AUSA [redacted] advised that WATSON has been provided with a letter of immunity in this matter. However, an FBI investigation of WATSON's activities while incarcerated in the FEDERAL PRISON CAMP at Allenwood, Pennsylvania, is pending and WATSON's attorneys located in New York City have requested AUSA [redacted] to write a letter to the U.S. Attorney's office in the Middle District of Pennsylvania advising that office of WATSON's cooperation in captioned investigation.

In anticipation that WATSON would attempt to collect travel money from the U.S. Attorney and the FBI, AUSA [redacted] was advised that any expenses incurred by WATSON in his travels to Saipan would not be reimbursed by the FBI. AUSA [redacted] advised that WATSON would be submitting a voucher to AUSA [redacted] office which would entitle WATSON to $30.00 per day in witness fees, up to $32.00 per day regarding car rental, per diem at the applicable rate for the island of Saipan, and round trip first class air service between Detroit and Saipan. AUSA [redacted] said that WATSON had made his own arrangements at the HYATT REGENCY HOTEL on Saipan and that he would be arriving on Saipan aboard NORTHWEST flight number 60 at 1:05 a.m. on 9/24/89. WATSON's itinerary calls for a scheduled departure on NORTHWEST flight number 61 at 2:00 a.m. on 9/28/89.

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194B-HN-121-40

SEARCHED-FOLDS____ MAN____
Indexed__Serialized__Filed__
OCT 3 1989
FBI - HONOLULU

Investigation at SAIPAN INTERNATIONAL AIRPORT on 9/24/89 disclosed that WATSON arrived on Saipan at approximately 1:12 a.m. aboard flight number 60. He was identified as wearing a white and blue striped long sleeve dress shirt, navy blue dress slacks, glasses, 6 foot 2 inches tall, 220-230 pounds, light brown and neatly trimmed hair. He was handling carry-on luggage. WATSON cleared CNMI IMMIGRATION and CUSTOMS and then departed for the HYATT REGENCY HOTEL.

On 9/24/89, [redacted] (protect identity by request), [redacted] HYATT REGENCY HOTEL, Saipan, CNMI, telephone [redacted], advised that WATSON was assigned room 607 in the south wing of the hotel. On 9/25/89, [redacted] advised that WATSON was departing the HYATT REGENCY because of his dissatisfaction with his treatment at the hotel and a lack of shampoo in his room. Because [redacted] had been previously warned that WATSON has been known to leave hotels without paying his bill, [redacted] advised WATSON he would have to settle his account in cash before he would be allowed to leave the hotel. WATSON became verbally abusive, but did pay his bill which amounted to $271.95. These charges included a room charge of $105.60 per night for two nights, a meal charge of $78.00 at the CHINESE RESTAURANT, and approximately $25.00 in bar bills and telephone calls. WATSON placed telephone calls to a number identified as that of the PACIFIC ISLAND CLUB RESORT (PIC) and to AUSA [redacted]

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At approximately 10:30 a.m. on 9/25/89, WATSON moved into the PIC. [redacted] (protect identity by request), [redacted] PIC, Saipan, CNMI, telephone [redacted] advised that WATSON was assigned room 217. Following his check-in at the hotel, WATSON contacted [redacted] (protect identity by request), [redacted] ESPN RENT-A-CAR, Saipan, CNMI, telephone [redacted] and rented a blue Susuki registered with CNMI plate number AAK-692.

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In previous conversations with AUSA [redacted] WATSON had told [redacted] that NORTHWEST AIRLINES had lost his luggage en route from Detroit, Michigan, to Nagoya, Japan. WATSON further stated that all of his credit cards and documents pertaining to captioned investigation were included in his luggage. It is noted that WATSON was observed by the writer carrying a green carry-on bag as well as a briefcase upon his arrival in Saipan.

The writer attempted to locate WATSON at the PIC at approximately 11:30 a.m. on 9/25/89. WATSON was observed in conversation with [redacted] (LNU), [redacted] PIC. At approximately 12:00 noon WATSON and [redacted] had lunch at the PIC

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which lasted until approximately 1:10 p.m. At that time, WATSON and [redacted] departed the PIC restaurant and [redacted] provided WATSON with a tour of the resort, including introducing WATSON to several managers. [redacted] also provided WATSON with a silver PIC card which entitles WATSON to utilize PIC resort centers worldwide for a one-year period. WATSON, using his own name, advised PIC personnel that he was the executive director of GRAND CHAMPION RESORTS located in Palm Springs, California. b6 b7C

WATSON returned to his room at the PIC at approximately 2:15 p.m. The writer then approached WATSON and introduced himself. Thereafter the writer spent approximately one hour becoming acquainted with WATSON. Arrangements were made for AUSA [redacted] to meet WATSON at the PIC later in the day and further arrangements were made for the writer to interview WATSON at the SUMMER HOLIDAY HOTEL on 9/26/89. b6 b7C

On 9/26/89, IA [redacted] determined that WATSON's bar bill and dinner at the CHINESE RESTAURANT, HYATT REGENCY HOTEL, were the results of WATSON drinking and dining alone. It was speculated that because of the $78.00 dinner at the CHINESE RESTAURANT that WATSON may have met with someone over drinks or dinner. However, hotel receipts as well as interviews with hotel personnel revealed that WATSON's dinner included two entrees as well as a serving of bird's nest soup which cost $24.00 in and of itself.

Upon WATSON's arrival in Saipan, he advised AUSA [redacted] that his luggage had been lost and this particular luggage contained all documentary evidence that WATSON was to review with the writer. Throughout the course of WATSON's stay on Saipan, he continued to insist that his evidence would prove the involvement of public officials from Saipan in kickback schemes. On three separate occasions, WATSON claimed that the airlines had recovered his luggage and he would be able to prove once and for all that the allegations were true. However, WATSON claimed that once his luggage was recovered that someone had rifled through his luggage and stolen all his documents, traveler's checks, and credit cards. It is the writer's contention that the claimed documents never existed. b6 b7C

On 9/26/89, [redacted], PIC, advised that WATSON had departed the PIC at approximately 9:00 a.m. on 9/26/89, and returned to the resort at approximately 3:00 p.m. on 9/26/89. These times correspond to the times that WATSON was being interviewed by the writer, however, WATSON claimed that b6 b7C

he had to return to the PIC during the lunch break on that day because he had forgotten his wallet and was unable to buy his lunch. Before breaking for lunch, WATSON had hinted that the writer should lend him or provide him with lunch money. This was not done. Furthermore, [redacted] did not see WATSON return to the hotel between 11:30 a.m. and 1:00 p.m. on 9/26/89.

AUSA [redacted] had contemplated having WATSON testify before the FGJ on 9/27/89. Following the interview of WATSON on 9/26/89, AUSA [redacted] decided not to have WATSON testify. AUSA [redacted] notified WATSON of this on 9/26/89. At that time, AUSA [redacted] confronted WATSON as to WATSON's attempts to defraud a hotel in the Detroit, Michigan, metropolitan area following his release from prison. WATSON advised AUSA [redacted] that the basic facts were true, but WATSON had an explanation. Additionally, WATSON told AUSA [redacted] that he also had an explanation regarding falsehoods in his original application for employment with E.F. HUTTON. In discussions between the writer and AUSA [redacted], it was decided that WATSON's inclination was to fabricate lies and concoct untrue scenarios based on various contacts he had made on previous visits to the island of Saipan.

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At approximately 8:30 a.m. on 9/27/89, the writer confronted WATSON as he was about to leave his hotel room at the PIC. At this time, the writer advised WATSON that he was too undependable and unreliable to be trusted as an FBI cooperating witness or informant. It is the writer's contention that WATSON originally provided allegations to the FBI in hopes of securing an early release from prison. It is further believed by the writer that WATSON purposely misled investigators as to the possibility of criminal actions on the part of captioned subjects in hopes that the U.S. government would finance his travels to the Pacific Rim so WATSON could make contacts in hopes of personal financial gain. It is the writer's belief that this personal agenda of WATSON's was interrupted because of the skepticism of the writer who continually made attempts to keep WATSON off balance during his stay on Saipan.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/29/89

BARTON HARRY WATSON, III, date of birth October 18, 1960, who now resides at 509 North State Road, Belding, Michigan, and possesses Michigan Driver's License number W325-081-298-802, and possesses Social Security Account Number (SSAN) 381-78-3111, was advised as to the identity of the interviewing Agent as well as the nature of the investigation. Prior to the interview, WATSON was read his rights as listed on an FD-395. Before signing his waiver of rights, WATSON requested that a statement be written on the FD-395 to the effect that he had travelled to Saipan under service of a Federal Grand Jury subpoena from the District of the Northern Mariana Islands and that prior to his travel, WATSON had been given a grant of immunity through his attorney from Assistant U.S. Attorney (AUSA) [redacted] The statement was written on the FD-395 and WATSON signed the waiver of rights portion of the form. Thereafter, WATSON provided the following information: b6 b7C

WATSON started his employment with E.F. HUTTON, INCORPORATED (EFH) during May, 1982, as an account executive trainee. After completing training and licensing programs, he became an account executive of the EFH brokerage firm as a retail stockbroker. Over the next twelve months, WATSON proved himself exceptionally proficient and became the number one account executive with EFH. During this period of time, the manager of EFH was [redacted]. [redacted] focused on growth of the EFH office and implemented a policy of liberal interpretation of Securities and Exchange Commission (SEC) regulations. [redacted] philosophy was for each one of his account executives to make their production no matter what methods were utilized. b6 b7C

It was during this period of time that [redacted] became an account executive with EFH. The office, under [redacted] leadership, had a partnership working arrangement wherein two account executives worked together on various accounts. Not only did the account executives work together, but they also shared their commissions from the proceeds of sales on a 50/50 basis. WATSON and [redacted] worked together for six months targeting institutional investments. [redacted] had an extremely large client base that he was not using effectively. WATSON was remarkably b6 b7C

Investigation on 9/26/89 at Garapan, Saipan, CNMI File # HN 194B-121-41

by SA [redacted]:rg Date dictated 9/29/89 b6 b7C

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successful with generating the most out of each client. Therefore, the men were a logical partnership and they worked well together complimenting each other's skills. [redacted] was very good at paperwork, but WATSON despised it. WATSON could function more freely with the clients if he did not have the burden of paperwork. He described the partnership within EFH between himself and [redacted] as a synergy. b6 b7C

The partnership was simply a function of the management and organization within EFH. It was not a partnership in the legal sense. The men were given their own support staff. The administrative assistant responsible for handling the support staff for WATSON and [redacted] was [redacted].

WATSON and [redacted] developed a business plan to focus on commercial business customers and wanted a long-term relationship with sophisticated clients. [redacted] gave the men the freedom to run their own calendar and they operated their accounts as a small business. b6 b7C

After forming their partnership, WATSON and [redacted] met JIM HAWKINS, an independent entrepreneur and the former director of housing for the government of Saipan. HAWKINS advised the men of several business opportunities within Micronesia. HAWKINS knew of a $150,000,000.00 trust fund being setup for the Marshall Islands government. The three men travelled to Majuro in an effort to establish an EFH account for the Marshall Islands government. WATSON does not know if the account was ever established because it was about two-thirds of the way completed before he was released from EFH. b6 b7C

As the men travelled together, it became apparent to WATSON that HAWKINS had extensive contacts on the island of Saipan within the Commonwealth of the Northern Mariana Islands (CNMI). The three men travelled to Saipan along with [redacted] a money manager from the Raleigh/Durham EFH office. While in Saipan, the EFH group met with various Saipan government officials, including [redacted] who was then [redacted] of MICROL CORPORATION (MICROL) as well as [redacted] of directors for the ECONOMIC DEVELOPMENT LOAN FUND (EDLF). The group also met LARRY HILLBLOM, one of the founders of DHL CORPORATION and principle owner of the BANK OF SAIPAN (BOS). b6 b7C

This first trip to Saipan was made during June, 1984. This type of trip is known within the business as a relationship development trip and while staying in Saipan, the group presented a very high profile.

WATSON envisioned that Saipan was ready for economic development and the EFH group wanted a quick and easy sale. Therefore, the EFH group gave a sales presentation in hopes of securing the $7,000,000.00 from the EDLF board of directors for investment with EFH.

[redacted] setup a meeting for WATSON and [redacted] to meet with [redacted] of WAH KONG SHIPPING AND INVESTMENT COMPANY, Hong Kong. WATSON indicated that WAH KONG owns and operates the HYATT REGENCY HOTEL located on Saipan. WATSON said he spent less than an hour with [redacted] and that during his conversations [redacted] hinted that payoffs would have to be made on Saipan in order to secure government contract monies. b6 b7C

During the first trip to Saipan, WATSON also met [redacted] of BOS. According to WATSON, [redacted] advised that he wished to open an overseas account through the EFH London, England, office in the name of BOS with investment capital coming from selected customers of BOS. b6 b7C

WATSON advised that [redacted] told him that although EFH was proposing a 13 to 16 percent interest appreciation on an investment of $7,000,000.00 from the EDLF, that a one or two percent gain would be sufficient proceeds for the EDLF. WATSON explained that if the EDLF money was invested in an EFH account, EFH would take 30 to 40 percent of the profits as a management fee and 60 to 70 percent of the payout would be available for interest to the principles and commissions to the account executives. WATSON said that of the proceeds to be paid as commission, it was agreed that WATSON and [redacted] would get a 50 percent cut, [redacted] would receive a 25 percent cut and HAWKINS and [redacted] would be provided with a 25 percent cut. b6 b7C

During October, 1984, a second trip was made to Saipan. Before coming to Saipan, the men met with HILLBLOM in London, England. WATSON said that it was agreed between him, [redacted] and HILLBLOM that EFH would make a joint presentation of the proposal for investment of the EDLF money with the BOS. WATSON said that this was HILLBLOM's suggestion and that it would allow for a joint management of the $7,000,000.00 EDLF fund. WATSON said that he never made any offers of anything to anybody, but was continuously solicited for payoffs and kickbacks from [redacted] and HILLBLOM. b6 b7C

Although WATSON said that he gave one pair of one-way airline tickets from Guam to Honolulu to [redacted] he did not provide any kickback or payoff money to [redacted] for [redacted] support in attempting to secure the EDLF account. WATSON said that [redacted] frequently asked for a retainer in the form of an advance against a commission for bringing the EDLF fund to EFH. Furthermore, [redacted] was [redacted] of MICROL and made [redacted] of MICROL. [redacted] was not paid for this position and needed cash. [redacted] frequently requested WATSON to hire him as an agent for EFH, but WATSON gave nothing to [redacted] b6 b7C

[redacted] established an account with EFH with $10,000.00 of his personal finances. This mutual fund was established by phone with WATSON. WATSON said that he allocated guaranteed shares to [redacted] account. Furthermore, WATSON arranged for "hot offerings" to be assigned to [redacted] account. WATSON explained that when demands exceed supply it is possible for shares to double in value in less than one hour. WATSON said that account executives with firms such as EFH have discretionary power in guiding where these "hot offerings" will be assigned. b6 b7C

Although WATSON never provided any money to [redacted] WATSON recalled that in various conversations with [redacted] that [redacted] indicated that he needed approximately $40,000.00 to finance his daughter's education. b6 b7C

Regarding HILLBLOM and the BOS, WATSON said that there were no kickbacks or other perks provided by WATSON on behalf of EFH to HILLBLOM. Furthermore, WATSON said that no accounts were setup in any of EFH foreign offices for HILLBLOM or any of his companies.

Although WATSON could not remember the dates of a one-on-one meeting he had with Governor PEDRO P. TENORIO, WATSON believed that the meeting occurred during his third visit to Saipan. HAWKINS and WATSON drove separate cars to the governor's office and HAWKINS introduced the governor to WATSON. HAWKINS then departed and left the governor and WATSON to have a private conversation. The governor advised WATSON that he knew [redacted] was doing business with EFH. WATSON was told by the governor that the governor desired to have his own account established with EFH. WATSON explained to the governor that if he would open an account with EFH, WATSON would be able to guarantee the governor incredible financial profit and results from this account. However, WATSON got the impression from the governor b6 b7C

that the governor expected EFH to finance the account. WATSON further believed that the governor thought that EFH had financed the opening of [redacted] account with EFH. According to WATSON, the governor stated that he wanted an account opened the same as [redacted]. WATSON took this to mean [redacted] and believed that the governor wanted a $10,000.00 account with EFH opened in the governor's name. WATSON made it clear to Governor TENORIO that the governor would be thrilled with the results of an account if he should open one. WATSON stated that the conversation went back and forth in this manner for several minutes. However, the governor did not open an account with EFH nor did EFH open an account for the governor with funds supplied by EFH or any other party. b6 b7C

Although WATSON had previously advised the FBI that an EFH account was setup for HILLBLOM and the BOS by EFH through its offices in London, England, and Geneva, Switzerland, during this interview, WATSON denied that the transaction happened. Furthermore, WATSON had previously stated that the BOS was used as an intermediary in administration of the $7,000,000.00 EDLF fund account. During this interview, WATSON stated that BOS was never used as an intermediary. WATSON was again questioned as to the specific arrangements whereby $10,000.00 of EFH funds were used to open an investment account for Governor TENORIO in the name of BANK OF SAIPAN. WATSON said that this never occurred. Furthermore, WATSON had previously indicated to the FBI that a relative of the governor's was hired at a salary of approximately $100,000.00 per year to work at EFH. WATSON explained that HAWKINS had proposed an idea that EFH should open an office in Saipan and then employ local people to staff the office. The implication was that strategic people, i.e. relatives or friends of government officials would be employed at the Saipan branch of EFH. Additionally, during the first interview of WATSON during 1987, WATSON indicated that he had met with HILLBLOM and [redacted], also known as [redacted] for a period of two days wherein the two men educated WATSON and [redacted] as to the methods of doing business on Saipan. During this interview, WATSON denied ever meeting [redacted]. b6 b7C

At the conclusion of the interview, WATSON stated that he never made any personal investments or any investments for EFH in Saipan. At the time of the interview, WATSON stipulated that he had no investments in Saipan and that he travelled to Saipan

under a Federal Grand Jury subpoena because he felt that he owed something to the U.S. government for past criminal actions on his part. He was hoping that his information would be of value to the FBI and that he would be able to work as a cooperating witness with the FBI so evidence could be collected showing that public officials on the island of Saipan were involved in payoffs, kickbacks, and bribery related schemes.

Unknown to WATSON was the fact that the FBI had secured his employment records from EFH. The employment records stated that WATSON was born October 18, 1957, and that his SSAN was 381-48-3111. Furthermore, the records disclosed that he attended the UNIVERSITY OF WISCONSIN from 1972 through 1973 and the UNIVERSITY OF MICHIGAN from 1973 through 1975. He started employment with EFH on December 8, 1983, and was released from EFH on January 28, 1985. During this interview, WATSON said that he attended the UNIVERSITY OF WISCONSIN as an extension student while he was still in high school from the years 1977 through 1978 and that he attended the UNIVERSITY OF MICHIGAN from 1978 until 1980. He insisted that he became a registered account executive with EFH during August of 1982. WATSON could not explain the discrepancy in his SSAN and stated that his actual SSAN is 381-78-3111. He explained that he submitted his application with a false date of birth in an effort to cover up the fact that he was so young. He knew that he was very young to be employed by a major financial house such as EFH but he also believed that he was extremely bright and could become a successful executive with EFH. Therefore, WATSON falsified his date of birth on his application with EFH.

During the 1987 interview of WATSON, WATSON indicated that he had documentary evidence to the involvement of public officials on Saipan with criminal activity. Prior to this interview being conducted, WATSON was requested to bring these documents with him to Saipan. The records were to include calendars and personal notes with specific dates of contacts in Saipan and travels to Saipan, documents supporting WATSON's original claim that he paid a bribe to Governor TENORIO, and private papers regarding accounts setup in the name of LARRY HILLBLOM and his businesses in London and Geneva. When WATSON arrived on Saipan, he advised that all of these documents along with his traveler's checks and credit cards were placed in a suitcase that was lost by NORTHWEST AIRLINES in his travels between Detroit, Michigan, and Nagoya, Japan. WATSON explained that he was expecting the airlines to recover his baggage while

he was in Saipan. WATSON had been observed upon his arrival on Saipan carrying a green carry-on item of luggage as well as a briefcase. However, during the interview, WATSON advised that he had been notified by the airlines that his luggage had been recovered. WATSON went to the airport to clear his luggage through customs and secure the documentary evidence he had previously said he would produce. WATSON said that although his luggage was recovered by the airlines, someone had apparently stolen all of the documents, his traveler's checks, and his credit cards from the luggage because they were not in his luggage.

The following description was obtained through observation and interview:

Name:	BARTON HARRY WATSON, III
Aliases:	BARRY WATSON
Date of birth:	October 18, 1960
Place of birth:	Grand Rapids, Michigan
SSAN:	381-78-3111
Michigan Driver's License number:	W325-081-298-802
Height:	6'2"
Weight:	220-230 pounds
Eyes:	Blue; wears tinted glasses
Hair:	Light brown and wavy.

Memorandum

To : SAC, HONOLULU (194B-121)(P) Date 9/29/89

From : SA [redacted] (SRA)

Subject : PEDRO P. TENORIO, GOVERNOR, CNMI, ET AL;
CORRUPTION OF STATE AND LOCAL
PUBLIC OFFICIALS - LOCAL LEVEL;
OO: HONOLULU

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Attached is a copy of a telexed message to Assistant U.S. Attorney (AUSA) [redacted] Saipan, from U.S. Probation officer [redacted] Grand Rapids, Michigan, reporting illegal activity on the part of BARTON WATSON, III, a subject in the captioned matter.

JDG:rg
(2)

194B-121-42

SEARCHED-INDEXED-SERIALIZED-FILED
Indexed Serialized Filed
OCT 4 1989
FBI - HONOLULU

SEP 21 '89 2:42 PAGE.001

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
PROBATION OFFICE

REPLY TO:
ROBERT L. BRENT
CHIEF U.S. PROBATION OFFICER
137 FEDERAL BUILDING
GRAND RAPIDS, MI 49503
616-456-2384

B-19 FEDERAL BUILDING
410 W. MICHIGAN AVENUE
KALAMAZOO, MI 49005
616-381-5341

REPLY TO:
111 FEDERAL BUILDING
315 W. ALLEGAN STREET
LANSING, MI 48933
517-377-1825

324 FEDERAL BUILDING
P.O. BOX 906
MARQUETTE, MI 49855-9998
906-228-7432

September 20, 1989

[redacted]
Assistant U.S. Attorney
6th Floor Nauru Building
P.O. Box 377
Saipan MP 96950

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RE: WATSON, Barton III

Dear [redacted]:

Reference is made to your teletype dated September 15, 1989, requesting information regarding Mr. Watson's activities while staying at the Ritz Carlton Hotel in Dearborn, Michigan. Attached is a copy of the police report from the Dearborn, Michigan, Police Department. Essentially, the police report states that on July 28, 1989, Mr. Watson registered at the Ritz Carlton Hotel in Dearborn, Michigan, with no luggage stating he lost his luggage in Saudi Arabia. Furthermore, Mr. Watson informed hotel staff he worked for the Bank of America and was there with associates for a hostile takeover of a local corporation and would need approximately 30 rooms for a month equipped with fax machines and cellular phones which would be profitable to the hotel. On July 29, 1989, after a cleaning person found Mr. Watson's parole certificate in his room, the Dearborn Police Department was immediately notified and hotel official continued to monitor Mr. Watson's activities. On August 1, 1989, Mr. Watson checked out of the Ritz Carlton Hotel owing $210.44 in unpaid bills. Hotel officials were able to contact Mr. Watson via the telephone at his residence in Belding, Michigan, at which time he agreed to pay the balance in lieu of a criminal charge. Hotel officials did receive the payment in the amount of $210.44.

Dearborn Police Department — Date: [illegible]
CASE REPORT — Page: 1
[illegible] te at FPC.
*** SUPPLEMENTAL REPORT(S) ATTACHED ***

Date/Time Reported: 7/29/89 2232 Hrs.
Type of Incident...: SuspSit
Location Occurred.: 300 TOWN CENTER DRIVE
[illegible]

Incident #: 89-0002[illegible]24
File Class: 9300Y
Venue: 95 Dbr
Assoc Case: [illegible]
Assoc Case: [illegible]

RECEIVED AUG [illegible]

Dispatch Narrative: Assist ORI:

RITZ CARLTON - SUSPICIOUS PERSON

PROBATION OFFICE
GRAND RAPIDS, MI 49503
0 7 1989

Reporting Officer.: [redacted]

File Class Desc...: SUSPICIOUS SITUATION (CARS, PERSONS, PACKAGES, ETC.)

Caller.....: UNKNOWN b6 b7C

Suspect....: WATSON, ROBERT, , Phone:
509 N STATE STREET
BELDING Michigan
Jacket: 000 24339 A
D.O.B.: 10/18/60 Age: 28 Race: Sex:
Charge/Code.

Officer In Charge.: Bureau:
Assigned Officer 2: Status: Open

Narrative..: Original Write-up Patrol/DB
TIME OCCURRED: 2237 / 072989.

[redacted] AT THE RITZ-CARLTON, STATED THAT WATSON REGISTERED AT THE HOTEL YESTERDAY. WATSON HAD NO LUGGAGE STATING HE HAD LOST IT IN SAUDI ARABIA PRIOR TO ARRIVING IN DETROIT ALONG WITH HIS IDENTIFICATION. WATSON WAS GIVEN A ROOM AFTER GIVING THE HOTEL $500.00 IN CASH. TONIGHT AT APPROXIMATELY 2000 HOURS HE MET WITH WATSON STATING HE WORKED FOR THE BANK OF AMERICA AND HE WAS HERE WITH ASSOCIATES FOR A HOSTILE TAKE OVER OF A LOCAL CORPORATION WHICH HE COULD NOT NAME. HE TOLD [redacted] THAT HE WOULD BE NEEDING APPROXIMATELY THIRTY ROOMS FOR ABOUT A MONTH, EQUIPPED WITH FAX MACHINES, CELLULAR PHONES, ETC. WHICH WOULD BE PROFITABLE FOR THE HOTEL. LATER [redacted] WAS INFORMED BY A CLEAN-UP PERSON THAT WHILE CLEANING THE ROOM EARLIER SOME PAPERS WERE KNOCKED OFF A DESK AND WHEN SHE PICKED THEM UP SHE SAW THEY WERE RELEASE PAPERS FROM FEDERAL PRISON IN ALLENWOOD, PENNSYLVANIA, FOR MR. WATSON BEING PAROLED THE DAY BEFORE. OFFICERS RAN A LEIN/NCIC CHECK WHICH REVEALED SUSPECT HAD JUST SERVED A THREE-YEAR TERM FOR INTERSTATE TRANSPORT OF MONEY TAKEN BY FRAUD, MAIL FRAUD. [redacted] STATED THEY WOULD BE WATCHING THE SUSPECT AND HE WILL BE ASKED TO LEAVE WHEN HIS MONEY RUNS OUT. [redacted] BELIEVES THE SUSPECT MIGHT BE TRYING TO SET UP SOMETHING ILLEGAL. b6 b7C

/920

Narrative..: *** Detective Bureau Supplemental Report ***
TIME/DATE OCCURRED: 03:00 p.m. 80189 Lane #44

Name of Robert Watson, 509 N. State Street, Belding, MI DOB: 10/18/60 added to original report per D/Sgt. Lane.

Dearborn Police Department
CASE REPORT

Date: 8/02/89
Page: 1

*** SUPPLEMENTAL REPORT(S) ATTACHED ***

Date/Time Reported: 7/29/89 2232 Hrs.
Type of Incident..: SuspSit
Location Occurred.: 300 TOWN CENTER DRIVE
Cross Street.....:

Incident #: 89-0007324
File Class: [illegible]
Venue: SF [illegible]
Assoc Case:
Assoc Case:
Assist ORI:

Dispatch Narrative:
RITZ CARLTON - SUSPICIOUS PERSON

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Reporting Officer.: [redacted]

File Class Desc...: SUSPICIOUS SITUATION (CARS, PERSONS, PACKAGES, ETC)

Caller.....: UNKNOWN
Complainant: [redacted] Phone: 441-2000
300 TOWN CENTER DR
DEARBORN Michigan 48126

Suspect....: WATSON, ROBERT, , Phone:
509 N STATE STREET
BELDING Michigan
Jacket: 000224339 A
D.O.B.: 10/18/60 Age: 28 Race: Sex:
Charge/Code:

Officer In Charge.: Bureau:
Assigned Officer 2: Status: Open

Narrative..: *** Detective Bureau Supplemental Report ***
TIME/DATE OCCURRED: 03:00 p.m. 80189 Lane #44

Name of Robert Watson, 509 N. State Street, Belding, MI DOB: 10/18/60 added to original report per D[redacted]

nmw/885

Det/Sgt/ [redacted] 08-01-89.

Sgt. [redacted] contacted [redacted] he related the facts contained in basic report adding that Watson left owing $210.44 in unpaid bills. Watson left in a87 Chevy 4door,registered to [redacted] [redacted] made contact with Watson via telephone, and advised him to pay the money by this date or a report would be made with the Dearborn Police Department ([redacted] received payment of $210.00 this date)

Investigator contacted Federal Parole Officer [redacted] 110 Michigan Avenue Room 137, Grand Rapids, MI 49503 [redacted], and advised him of the incident, copy of report sent.

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823nhs.

Investigator's Signature: [redacted] ID #: [redacted]

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/23/89

JAMES EDGAR HAWKINS, voluntarily appeared at the Northern Virginia Metropolitan Resident Agency of the Federal Bureau of Investigation (FBI) for the purpose of providing his personal 1984 appointment book for FBI use.

HAWKINS had been previously interviewed on 9-14-89; Special Agents (SA)s [redacted] and [redacted] were known to him. The appointment book was taken into custody and subsequently placed in the 1-A exhibit section of this file. A receipt was issued, (copy of same also maintained in this file), and HAWKINS requested return of the book upon completion of the investigation. b6 b7C

The appointment book contains 192 pages and is further identified on the title page by the name JAMES E. HAWKINS, P.O. Box 2263, Reston, VA. 22090. The writer noted receipt by dating and initialling same on the inside of the front cover.

HAWKINS was asked if he altered this book in any fashion subsequent to his 9-14-89 interview, and he indicated that upon reviewing the book he placed red checks next to the dates of travel were which discussed on the 9-14-89 interview. He made no other additions or deletions in this book and will so swear, under oath in a court of law.

Investigation on 9/15/89 at FALLS CHURCH, VIRGINIA File # 194B-121-44 WMFO 194B-HO-121-4

by SA [redacted] SA SRS/srs Date dictated 9/15/89 b6 b7C

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/12/89

[redacted] voluntarily appeared at the Northern Virginia Metropolitan Resident Agency, of the Federal Bureau of Investigation for interview. Corporate attorney for SHEARSON LEHMAN HUTTON (SLH), [redacted] was also present during the interview. [redacted] official title is [redacted] official title is [redacted] After being advised of the identities of the interviewing Special Agents, (SA)s [redacted] and [redacted] by a display of credentials, and as to the nature of the interview, [redacted] thereafter provided the following information. b6 b7C

[redacted] has been with SLH since July of 1983,"...before the merger". SLH had formerly been known as E.F.HUTTON. Prior to being employed with E.F.HUTTON, [redacted] had been with JOHNSTON LEMON & COMPANY for approximately 5 years. b6 b7C

Relative to his business dealings with the COMMONWEALTH OF THE NORTHERN MARIANA ISLAND (CNMI), and E.F.HUTTON'S bid to obtain the asset management account of the ECONOMIC DEVELOPMENT LOAN FUND (EDLF), for the CNMI, [redacted] participated in a presentation to the EDLF's Board of Directors in June of 1984.

The following individuals were involved in the presentation, all of whom had an interest in the success of E.F.HUTTON'S proposal. b6 b7C

[redacted]
BARTON WATSON
JAMES HAWKINS
[redacted]

The presentation was actually made by [redacted] to the EDLF Board of Directors. [redacted] was considered the E.F.HUTTON expert on portfolios, as related to government asset management accounts. [redacted] specifically noted that he and WATSON were never considered "partners". He and WATSON worked together since WATSON had the experience handling stocks, bonds, and corporate financing. [redacted] noted WATSON was with E.F. HUTTON, before he [redacted] came to the firm. [redacted] and WATSON merely worked together in attempting to develop accounts in Micronesia. b6 b7C

9-19-89 FALLS CHURCH, VIRGINIA 194B-121-45 WMFO 194B-HO-121

Investigation on at File #

SA
SA [redacted]

by SRS/sps Date dictated 9-20-89 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

The following individuals represented the EDLF Board of Directors during the presentation. b6 b7C

[redacted]

The above list is not all inclusive as the Board of Directors is comprised of 12 people. The presentation took place in a conference room at the INTERCONTINENTAL HOTEL in SAIPAN. The presentation concerned the current status of the EDLF, which had been placed in various banks at low rates of interest in Certificates of Deposits, (CDs). [redacted] proposal would increase the yield of the fund, in terms of interest rate, without increasing the risk. [redacted] never realized any commission from the work done on this contract, as the contract was never signed. b6 b7C

At the time of the presentation, the board agreed to go with the E.F.HUTTON program pending finalization of the contract. There was a period of time after the board accepted the offer, and before the fund was actually called back, when money from the EDLF was sent to a bank account controlled by E.F.HUTTON. This time frame lasted from approximately 10-1-84 through the first quarter of 1985, "...approximately 5 months". The Board wanted to proceed with the proposal as set forth so, as the Certificates of Deposits matured, monies were transferred to an account in the name of the EDLF.

The transferred money would not actually go to E.F.HUTTON, but to a bank with an account for E.F.HUTTON. A federal funds transfer would be utilized as the instrument effecting the transfer. The federal funds transfer would contain the following document information.

1. Name of the bank
2. The bank's ABA number
3. A statement indicating, "For receipt of" E.F.HUTTON
4. Account number of the bank
5. A statement of, "For further Credit To", indicating the name of the client
6. Account number at the E.F.HUTTON office.

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Relative to all transfers made in this fashion, both [redacted] and [redacted] advised it would be possible to pull all records reflecting these deposits if required.

[redacted] received no commissions incentives or travel reimbursements for this project. He did receive a management fee of one-half of one percent, a figure which he described as minimal.

E.F.HUTTON ultimately lost the EDLF contract bid due to news media attention given to a federal investigation of E.F.HUTTON on separate allegations of alleged financial improprieties. News of this investigation became public just as the EDLF proposal was to be finalized. Due to the attention given this investigation, the EDLF project fell through. [redacted] noted the contract was awarded to MERRILL-LYNCH. He pointed out that [redacted] did not want the contract to go to E.F.HUTTON. [redacted] also pointed out that the majority of the assets for the fund were in the Bank of Guam and that the Bank of Guam had. "..a running battle", with E.F.HUTTON,(length of time unspecified). It was noted by [redacted] that [redacted] had some form of professional ties with the Bank of Guam. [redacted] had actually seen the letter from MERRILL-LYNCH to the EDLF Board of Directors setting forth their (MERRILL-LYNCH'S) proposal.

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[redacted] met with the CNMI Governor PEDRO P. TENORIO on two separate occasions. The first occurred prior to the presentation described earlier. This contact was described by [redacted] as a courtesy call, just before the presentation. [redacted] was accompanied by BARTON WATSON and JAMES HAWKINS at the time. The second meeting occurred either, "...March of this year, or last" and concerned a congressional appropriations hearing, "..on the Hill". [redacted] advised, " I just saw him, walked up, shook his hand and said hi".

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Relative to the business arrangement between [redacted] and JAMES HAWKINS, [redacted] never had a non-written (verbal) agreement, with HAWKINS whereupon HAWKINS was to receive 20% of all business [redacted] got in Micronesia for E.F. HUTTON. HAWKINS was never paid for his efforts on the EDLF because the contract was never finalized. [redacted] commented, "I've paid him on other stuff". The additional payments concerned a finders fee HAWKINS received for locating a retail client in the Marshall Islands, (Saipan).

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Had E.F.HUTTON actually received the EDLF management account, HAWKINS would have received a percentage of the assets managed. [redacted] would have received one-half of a percent paid quarterly over a 5 year period,(based upon the actual assets managed figure). [redacted] advised this would amount to approximately $30,000.00 to $60,000.00.

[redacted] has no firsthand knowledge of BARTON WATSON'S dismissal from E.F.HUTTON. He recalled that WATSON was "...called down one day and told "your not coming back to this office",". [redacted] thought it had to do with retail clients.

[redacted] credits [redacted] with his introduction to [redacted]. During a meeting between ROLAND WATSON and [redacted], [redacted] called [redacted] who was in Hong Kong. [redacted] told [redacted] that [redacted] and WATSON would like to meet him [redacted]) in Hong Kong. [redacted] agreed and after a brief stopover in the Philippines, the meeting took place in Hong Kong during the first part of July 1984. [redacted] gave [redacted] name and address. The meeting lasted no more that 20 minutes and concerned a, "... dog and pony show about what E.F.HUTTON could do for [redacted] company". [redacted] is [redacted] of WAH KWONG shipping in Hong Kong. [redacted] told [redacted], "[redacted] had been at one time, [redacted] either the CONTINENTAL, or HYATT REGENCY HOTEL OF SAIPAN."

LARRY L. HILLBLOM is the founder and part owner of DHL, an international courier company headquartered in LONDON, ENGLAND. [redacted] never met LARRY HILLBLOM in SAIPAN; he met HILLBLOM once in LONDON, once in NEW YORK, and twice in WASHINGTON D.C.

A September, 1984 meeting took place in LONDON at DHL Headquarters Offices, "...for the purpose of discussing what E.F.HUTTON could for DHL". [redacted], president of DHL in HONG KONG, was present during this meeting as were LARRY HILLBLOM, BARTON WATSON, and [redacted]. Three DHL top level managers also participated in this meeting which consisted of discussions on, "cash management" programs. Subsequent to this meeting, a follow-up meeting took place in New York relative to the same types of discussions.

A second meeting took place on the same day at the E.F.HUTTON office in LONDON. The same individuals participated in these discussions with the exception of the DHL top level managers. In this case, E.F. HUTTON office managers were present.

This meeting concerned discussions on the Bank of Saipan (BOS), and E.F.HUTTON programs from which the BOS might benefit. E.F.HUTTON has numerous programs, one of which involves a program designed for banking institutions with a small capital base. By participating in the program the BOS would be able to increase their lending base and pass on additional services to their clients.

No accounts were opened for HILLBLOM in LONDON or GENEVA as a result of this meeting. [redacted] advised,"I have no accounts for HILLBLOM anywhere in the world". DHL has an account with E.F.HUTTON in LONDON and [redacted] advised he has an account for [redacted] (phonetic-believed to be [redacted]). [redacted] believed [redacted] was an original investor in the BOS, but this account existed prior to the LONDON meeting. b6 b7C

The BOS was never used as an intermediary between the EDLF Board of Directors and E.F.HUTTON in the administration of the fund account.

[redacted] never met with Governor TENORIO privately, nor did HILLBLOM or HAWKINS ever tell [redacted] the Governor would make sure the EDLF Board of Directors would approve the opening of the E.F.HUTTON account. The Governor never requested any compensation from [redacted] or E.F.HUTTON, to [redacted] knowledge. [redacted] noted that even if he had wanted to, the Governor could not have made this guarantee due to the fact that [redacted] of the EDLF Board of Directors) opposed Governor TENORIO during his last election. Due to [redacted] public opposition to TENORIO, [redacted] reports [redacted] eventually left SAIPAN when TENORIO won the election. [redacted] feels [redacted] would have prevented any of TENORIO'S attempts at directing the fund. b6 b7C

[redacted] met an individual identified as [redacted] aka; [redacted], for no more that 5 minutes, only once circa September, 1985. The meeting occurred at the 19th HOLE club in SAIPAN, and amounted to nothing more than, "...saying hello". [redacted] commented to the effect that he wished he did in fact know [redacted], since he is rumored to be very wealthy. No discussions on political influence or methods of conducting business in Micronesia took place between [redacted] and [redacted] Rumors of corrupt business practices are common knowledge in Micronesia but [redacted] denied involvement in such practices. [redacted] recalled solicitations for hire (employment as a consultants) from [redacted] and from [redacted]. He never took either request serious. b6 b7C

He recalled that [redacted] was drunk at the time of his request. No individuals confided in [redacted] that consultant services of CNMI Officials would be required in order for the EDLF to be invested with E.F.HUTTON.

[redacted] received no compensation as payment for his work on the EDLF fund. In terms of payments normally received by [redacted] he receives a finders fee in situations where clients are developed for bond investments. In this case the fee is a set percentage of the money invested by the clients. [redacted] also receives a commission on routine type accounts at a rate of 1 to 2 percent per account, per year.

The following background information was obtained through observation and/or interview:

[redacted]
DOB: [redacted]
POB: [redacted]
SSAN: [redacted]
MARITAL STATUS: MARRIED
WIFE'S NAME : [redacted]
RESIDENCE: [redacted]
[redacted], VIRGINIA [redacted]

HOME PHONE: [redacted]
WORK PHONE: [redacted]

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ ~~AIRTEL~~

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/13/89

TO : SAC,HONOLULU (194B-HO-121) (P) (SRA)

FROM : SAC, WMFO (NVMRA) (C-2) (RUC)

PEDRO P. TENORIO;
GOVERNOR,COMMONWEALTH OF THE NORTHERN
MARIANA ISLAND (CNMI); ET AL;
CSLPO-LOCAL LEVEL;
OO:HONOLULU

Re: Honolulu routine tel dated 9-30-89, captioned as above.

Enclosed for Honolulu as follows: original and two copies each of 302s of interviews with JAMES EDGAR HAWKINS, interviewed on 9-14-89 and 9-15-89, and [redacted] interviewed on 9-19-89, also in enclosed are all original notes. b6 b7C

Appointment book obtained from HAWKINS 9-15-89 will be retained at WMFO/NVMRA until such required by Honolulu division.

No further investigation remains outstanding at NVMRA and this matter is considered RUC.

2-Honolulu (ENC.12)
1-WMFO (194B-HO-121)
SRS/srs

#5 SSRA

194B-121-46

SEARCHED-INDEXED-SERIALIZED-FILED
OCT 25 1989
FBI - HONOLULU

Approved: _____ Transmitted _____ (Number) _____ (Time) Per [redacted] b6 b7C

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
- ☒ Teletype
- ☐ Facsimile
- ☐ _____

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☒ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☒ UNCLAS E F T O
- ☐ UNCLAS

Date 10/25/89

FM FBI HONOLULU (194B-121) (C) (SRA)

TO DETROIT (C-3)/ROUTINE/

BT

UNCLAS E F T O

CITE: //3280:6680//

SUBJECT: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); ET AL; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS; OO: HONOLULU.

RE DETROIT TELETYPE TO HONOLULU DATED 10/22/89.

ON 10/16/89, [redacted] PACIFIC ISLAND CLUB (PIC), P.O. BOX 2370, SAIPAN, CNMI, TELEPHONE [redacted], ADVISED THAT BARTON WATSON WAS A GUEST AT THE PIC FROM 9/25-28/89. DURING LUNCH AT THE PIC ON 9/25/89, WATSON REPRESENTED HIMSELF AS THE EXECUTIVE DIRECTOR OF GRAND CHAMPION RESORTS, PALM SPRINGS, CALIFORNIA. THEREAFTER, MANAGEMENT

b6
b7C

JDG:tls
(1)

Pls. refer to TT dated 12/18/89.
* This teletype was inadvertently not sent on 10/25/89 and is now being transmitted, 12/18/89, per SSA #5.

Approved: 7/04 Transmitted _____ (Number) _____ (Time) Per _____

TLS004W.298

Done 10/10/89 SSRA [redacted]

Submit closing communication to FBIHQ.

1945-121-47

Searched.....
Indexed.....
Serialized.....
Filed.....

b6
b7C

C/RH

FD-36 (Rev. 8-26-82)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

^PAGE TWO DE HN (194B-121) UNCLAS E F T O

REPRESENTATIVES OF THE PIC PROVIDED WATSON WITH A TOUR OF THE RESORT AS WELL AS INTRODUCTIONS TO KEY PIC PERSONNEL. HOWEVER, [redacted] ADVISED THAT WATSON DID NOT DEFRAUD OR ATTEMPT TO DEFRAUD THE PIC OF FUNDS, GOODS OR SERVICES. WATSON SETTLED HIS BILL AT THE PIC WITH A CASH PAYMENT.

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b7C

FOR INFORMATION OF DETROIT, AUSA [redacted], DISTRICT OF NORTHERN MARIANA ISLANDS, SAIPAN, CNMI, DECLINED PROSECUTION OF CAPTIONED INVESTIGATION BASED ON THE FACT THAT WATSON WAS UNTRUSTWORTHY, AND THAT THERE WAS NO EVIDENCE OF ANY PAYOFFS BEING MADE TO POLITICAL FIGURES IN CONNECTION WITH CAPTIONED MATTER. THEREFORE, HONOLULU HAS PLACED THE MATTER IN A CLOSED STATUS AND IS CONDUCTING NO FURTHER INVESTIGATION.

BT

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

Honolulu, Hawaii
October 10, 1989

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - LOCAL LEVEL

b6
b7C

Investigation into the captioned matter was initiated by the Honolulu Division of the Federal Bureau of Investigation (FBI) after BARTON HARRY WATSON, III, an inmate at the FEDERAL PENITENTIARY located at Lewisburg, Pennsylvania, voluntarily provided information of a conspiracy on the part of himself, [redacted], LARRY L. HILLBLOM, Commonwealth of the Northern Mariana Islands (CNMI) Governor PEDRO P. TENORIO, ECONOMIC DEVELOPMENT LOAD FUND (EDLF) [redacted], and JAMES E. HAWKINS, to use $7,000,000.00 of EDLF funds to provide income to the BANK OF SAIPAN (BOS).

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WATSON advised that in 1984, he and [redacted] both account executives at E.F. HUTTON (EFH), met HAWKINS, an individual with many connections in Micronesia. Through HAWKINS, they were introduced to many individuals in the CNMI, including

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

4 - FBIHQ
2 - HONOLULU
JDG:rg
(6)

Searched
Indexed
Serialized
Filed

GUGINO
SSDP

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;

b6
b7C

[redacted] of the EDLF. The EDLF was a CNMI agency responsible for giving low interest loans to CNMI residents. It was funded with federal money and had $7,000,000.00 invested with the BANK OF GUAM at a very low interest rate. WATSON and [redacted] convinced the EDLF Board of Directors to invest the $7,000,000.00 with EFH at a higher rate of return.

b6
b7C

Shortly after meeting [redacted] suggested to WATSON that [redacted] be retained as a consultant in order to facilitate EFH's attaining the EDLF investment. WATSON and [redacted] entered into an agreement with [redacted] to this effect. Over the next year, WATSON and [redacted] worked to obtain the EDLF investment. However, they were unable to obtain the investment.

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b7C

Throughout the course of their travels to the CNMI, WATSON and [redacted] became friendly with HILLBLOM, who controlled the BANK OF SAIPAN (BOS). During one of their trips to Saipan, HILLBLOM told the men that political influence was directly tied into doing business on Saipan and favorable political influence required a piece of the action or cash compensation.

WATSON and [redacted] were unsuccessful in obtaining the EDLF investment until HILLBLOM, who had no involvement with the EDLF, intervened. During an October, 1984, trip to Saipan, HILLBLOM told WATSON and [redacted] that for EFH to get the EDLF investment, the BOS would have to be an intermediary. HILLBLOM and HAWKINS both told WATSON and [redacted] that everything was taken care of with Governor TENORIO. Additionally, [redacted] asked WATSON for $40,000.00 for the cost of his daughter's education. This was to be his compensation as a consultant. WATSON later met

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b7C

PEDRO P. TENORIO, GOVERNOR
COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;

b6
b7C

with Governor TENORIO, who told WATSON that HILLBLOM had made arrangements for the EDLF fund to be invested with EFH and demanded that EFH open an account in the Governor's name with $10,000.00 supplied by EFH. In December, 1984, the EDLF invested $7,000,000.00 with EFH. However, shortly thereafter the EDLF Board of Directors withdrew the funds from EFH and redeposited the funds into the BANK OF GUAM account.

HAWKINS, [redacted] have all been interviewed and all deny any wrongdoings or inproprieties. WATSON, who had previously expressed his full cooperation as a government witness in the investigation, was served with a Federal Grand Jury (FGJ) subpoena issued by the District of the Northern Mariana Islands, Saipan, CNMI, for his appearance on September 27, 1989. WATSON arrived on the island of Saipan on September 24, 1989. At that time, he was exhaustively interviewed. He demonstrated a severe lack of candor and credibility. After he was interviewed by the FBI, Assistant U.S. Attorney (AUSA) [redacted], District of the Northern Mariana Islands, Saipan, CNMI, declined to use WATSON as a witness before the FGJ.

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On September 29, 1989, AUSA [redacted] declined prosecution of the captioned investigation based on the fact that WATSON was untrustworthy and that there was no evidence of any payoffs being made to political figures. Furthermore, AUSA [redacted] advised that no further interviews or investigation should be conducted.

FD-761 (2-8-88)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☒ AIRTEL

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date 10/10/89

To : Director, FBI (Attention: Criminal Investigative Division)
From : SAC, HONOLULU (194B-121) (C-6 (SRA)
Subject : Public Corruption Data Transmittal Form

1. Title: *(use additional page if necessary)* PEDRO P. TENORIO, GOVERNOR,

Re:

2. ☒ Enclosed are the original and three copies of a LHM for dissemination purposes. *(check if appropriate)*

3. Office of Origin File No. 194B - 121 *(include alpha)*

4. ☐ Initial submission XX Supplemental submission *(check one)*

5. Date opened upon SAC authority 3/17/89

6. Level of subject official *(See codes on reverse. Use additional pages, as necessary, for additional subjects.)*

Level	L01	Number of Subject(s)	1
Level	M20	Number of Subject(s)	1
Level		Number of Subject(s)	

7. Indicate which of the following investigative techniques have been utilized to date. *(check all appropriate boxes)*

Code Number / Description		Code Number / Description	
Z1	☐ Acct. Tech. Assist.	Z14	☐ Pen Registers
Z2	☐ Aircraft Assist.	Z15	☐ Photo Coverage
Z3	☐ Computer Assist.	Z16	☐ Polygraph Assist.
Z4	☐ Consensual Monitoring	Z17	☐ Search Warrants Use
Z5	☐ Elsur - FISC	Z18	☐ Show Money Use
Z6	☐ Elsur - Title III	Z19	☐ Surveillance Squad Use
Z7	☐ Eng. Sect. Field Support	Z20	☐ Swat Team
Z8	☐ Eng. Sect. Tape Exams	Z21	☐ Tech. Agent
Z9	☐ Hypnosis Assist.	Z22	☐ Telephone Toll Records
Z10	☐ Ident Div Assist.	Z23	☐ Group I UCO
Z11 (A)	☐ Symboled Informant	Z24	☐ Group II UCO
Z11 (B)	☐ Cooperating Witness	Z25	☐ Undercover - Other
Z11 (C)	☒ Cooperating Subject	Z26	☐ NCAVG/VI - CAP
Z12	☐ Lab. Div. Exams	Z27	☐ VIA
Z13	☐ Lab. Div. Field Support		

(2) Field Office
3 - FBIHQ
(1 - White-Collar Crimes Section, Public Corruption Unit)

LHM

194B-121-49
Searched
Indexed
Serialized
Filed

JDG:rg
(5)

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

SSA Rwm 10/24/89

2 - HONOLULU

b6
b7C

FBI/DOJ

8. Type of Corruption Investigated *(check all appropriate boxes)*

Code Number/Description		Code Number/Description	
(A)	Judicial Corruption	(B)	Legislative Corruption
A1 ☐	Federal	B1 ☐	Federal
A2 ☐	State	B2 ☐	State
A3 ☐	Local	B3 ☐	Local
A4 ☐	Territorial	B4 ☐	Territorial
(C)	Contract Corruption	(D)	Regulatory Corruption
C1 ☒	Federal	D1 ☐	Federal
C2 ☐	State	D2 ☐	State
C3 ☐	Local	D3 ☐	Local
C4 ☐	Territorial	D4 ☐	Territorial
(E)	Law Enforcement Corruption		
E1 ☐	Federal		
E2 ☐	State		
E3 ☐	Local		
E4 ☐	Territorial		

9. Does corruption involve drug related activity? *(check one)* ☐ Yes ☒ No

10. Statistical Accomplishments *(number since last submission)*

A. Complaints	_____	F. Acquittal	_____
B. Informants	_____	G. Recoveries	_____
C. Indictments	_____	H. Restitutions	_____
D. Convictions	_____	I. Potential Economic Loss Prevented	_____
E. Pre-trial Diversions	_____		

11. Forfeiture Provisions Utilized *(check one)* ☐ Yes ☒ No

12. Status of Case *(check one)*

☐ Pending Preliminary Inquiry
☐ Pending Full Investigation
☒ Closed

13. Basis for Closing *(check one)*

☒ U.S. Attorney Declination
☐ Dismissal
☐ Acquittal
☐ Conviction
☐ Administrative by SAC (no other basis involved)

Additional Administrative Data *(if needed)*: Title Cont:

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOM, dba
Bank of Saipan (BOS);
[redacted] ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson, ACCOUNT EXECUTIVE,
E.F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL PUBLIC
OFFICIALS - LOCAL LEVEL

b6
b7C

FD-320 (Rev. 8-30-82)

In Reply, Please Refer to

File No. HN-194B-121

FBI CASE STATUS FORM

Date: 10/10/89

To: Honorable D. Paul Vernier, Jr., Acting U.S. Attorney, Agana, Guam
(Name and Address of USA)

From: Jim R. Freeman, Honolulu By: [redacted]
Supervisory Senior Resident Agent
(Name of Official in Charge and Field Division) *(Signature of Official in Charge)*

RE: Pedro P. Tenorio; Larry L. Hillblom; [redacted] Barton; Harry Watson, III
(Name of Subject) *Age* *Sex* b6 b7C

You are hereby advised of action authorized by AUSA [redacted]
(Name of USA or AUSA)

on information submitted by Special Agent SA [redacted] on 9/29/89.
(Name) *(Date)*

(Check One)

- ☐ *Request further investigation*
- ☒ *Immediate declination*
- ☐ *Filing of complaint*
- ☐ *Presentation to Federal Grand Jury*
- ☐ *Filing of information*

For violation of Title 18, *USC, Section(s)* 1951 (HOBBS ACT)

Synopsis of case:

Investigation into the captioned matter was initiated by the Honolulu Division of the Federal Bureau of Investigation (FBI) after BARTON HARRY WATSON, III, an inmate at the FEDERAL PENITENTIARY located at Lewisburg, Pennsylvania, voluntarily provided information of a conspiracy on the part of himself, [redacted], LARRY L. HILLBLOM, Commonwealth of the Northern Mariana Islands (CNMI) Governor PEDRO P. TENORIO, ECONOMIC DEVELOPMENT LOAD FUND (EDLF) [redacted] and JAMES E. HAWKINS, to use $7,000,000.00 of EDLF funds to provide income to the BANK OF SAIPAN (BOS). b6 b7C

194B-121-50

1 - Addressee
(1) - Honolulu
JDG:rg
(2)

OSM
CLOSE ON THIS 11/1/89
10/24/89
4 (5) 6

[redacted]
SSRA

Searched
Indexed
Serialized
Filed

FSI-DOJ

WATSON advised that in 1984, he and [redacted] both account executives at E.F. HUTTON (EFH), met HAWKINS, an individual with many connections in Micronesia. Through HAWKINS, they were introduced to many individuals in the CNMI, including [redacted] of the EDLF. The EDLF was a CNMI agency responsible for giving low interest loans to CNMI residents. It was funded with federal money and had $7,000,000.00 invested with the BANK OF GUAM at a very low interest rate. WATSON and [redacted] convinced the EDLF Board of Directors to invest the $7,000,000.00 with EFH at a higher rate of return. b6 b7C

Shortly after meeting [redacted] suggested to WATSON that [redacted] be retained as a consultant in order to facilitate EFH's attaining the EDLF investment. WATSON and [redacted] entered into an agreement with [redacted] to this effect. Over the next year, WATSON and [redacted] worked to obtain the EDLF investment. However, they were unable to obtain the investment. b6 b7C

Throughout the course of their travels to the CNMI, WATSON and [redacted] became friendly with HILLBLOM, who controlled the BANK OF SAIPAN (BOS). During one of their trips to Saipan, HILLBLOM told the men that political influence was directly tied into doing business on Saipan and favorable political influence required a piece of the action or cash compensation.

WATSON and [redacted] were unsuccessful in obtaining the EDLF investment until HILLBLOM, who had no involvement with the EDLF, intervened. During an October, 1984, trip to Saipan, HILLBLOM told WATSON and [redacted] that for EFH to get the EDLF investment, the BOS would have to be an intermediary. HILLBLOM and HAWKINS both told WATSON and [redacted] that everything was taken care of with Governor TENORIO. Additionally, [redacted] asked WATSON for $40,000.00 for the cost of his daughter's education. This was to be his compensation as a consultant. WATSON later met with Governor TENORIO, who told WATSON that HILLBLOM had made arrangements for the EDLF fund to be invested with EFH and demanded that EFH open an account in the Governor's name with $10,000.00 supplied by EFH. In December, 1984, the EDLF invested $7,000,000.00 with EFH. However, shortly thereafter the EDLF Board of Directors withdrew the funds from EFH and redeposited the funds into the BANK OF GUAM account. b6 b7C

HAWKINS, [redacted] and [redacted] have all been interviewed and all deny any wrongdoings or inproprieties. WATSON, who had previously expressed his full cooperation as a government witness in the investigation, was served with a Federal Grand Jury (FGJ) subpoena issued by the District of the Northern Mariana Islands, Saipan, CNMI, for his appearance on September 27, 1989. WATSON arrived on the island of Saipan on September 24, 1989. At that time, he was exhaustively interviewed. He demonstrated a severe lack of candor and credibility. After he was interviewed by the FBI, Assistant U.S. Attorney (AUSA) [redacted] District of the Northern Mariana Islands, Saipan, CNMI, declined to use WATSON as a witness before the FGJ. b6 b7C

On September 29, 1989, AUSA [redacted] declined prosecution of the captioned investigation based on the fact that WATSON was untrustworthy and that there was no evidence of any payoffs being made to political figures. Furthermore, AUSA [redacted] advised that no further interviews or investigation should be conducted. b6 b7C

Memorandum

To : SAC, HONOLULU (194B-121) (C) Date 10/10/89

From : SA [redacted] b6 b7C

Subject : Pedro P. Tenorio, Governor, CNMI;
et al
CSLPO - Local Land
00:HN

Date Closed: 10/10/89

Statistics Claimed: Yes ____ No JJY

FD-515 Submitted: Yes ____ ~~No~~ NA JJY

Remove NCIC: Yes ____ ~~No~~ NA JJY

NCIC Locate: Yes ____ ~~No~~ NA JJY

Evidence Returned: Yes ____ No JJY

Evidence Destroyed: Yes JJY No ____ 10/11/89

USA's letter: Yes JJY No ____ 10/10/89

Agent in Charge of Evidence Control: _____ (initials)

SSRA _____ (initials)

Note 206I-129-1A4 (Companion case) returned to Rotn #5, HN, 10/10/89. JJY

b6 b7C

(1) 1*

194B-121-51

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____
OCT 2 3 1989
FBI - HONOLULU
[redacted]

FD-621 (Rev. 6-23-87) (Nontelephonic Consensual Monitoring Usage Report)

AIRTEL

Federal Bureau of Investigation

From: SAC, HONOLULU Date: 11/02/89

To: DIRECTOR, FBI
Attn: **ELSUR Index**

Subject: PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI); LARRY L. HILLBLOM, DBA BANK OF SAIPAN (BOX); [redacted] ACCOUNT EXECUTIVE, E.F. HUTTON, INC.; ET AL; CORRUPTION OF STATE AND LOCAL PUBLIC OFFICIALS - LOCAL LEVEL; OO: HONOLULU

b6
b7C

Re Honolulu teltype to FBIHQ dated 08/18/89 and Bu airtel to Honolulu dated 09/07/89 captioned as above.

NOTE: If no confirming communication received from FBIHQ in response to your request for use of a nontelephonic consensual monitoring device, mark below:

_____ No confirming communication received from FBIHQ to date.

ReCommunication(s) requested/granted:

__x__ Routine authority.
_____ Emergency authority.

The following information relates to the use of the equipment:

_____ Its use provided information which corroborated or assisted in corroborating the allegation or suspicion.
_____ It was used, but no information of value was obtained.
__x__ It was not used.
(Only one of the above applies)

Complete and submit within 30 days of expiration of each and every period of authorization granted for nontelephonic consensual monitoring by either the DOJ or FBIHQ-CID (whether an initial or a subsequent authorization), and for each extension or renewal thereof.

Transmit to FBIHQ in a sealed brown envelope labeled "Director, FBI, ELSUR Index, FBIHQ."

2 - Bureau
1 - 194B-121 (Field Office Investigative File)
1 - 66F-750SubB-392 (Field Office Control File)
RMT:rmt
(4)

194B-121-53

[redacted]

Searched ____
Indexed ____
Serialized FBI/DOJ
Filed ____

b6
b7C

[redacted]

C/RH

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ x Airtel

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 11/16/89

TO: SAC, HONOLULU (194B-HN-121)

FROM: SAC, PHILADELPHIA (194B-HN-121) (WRA) (RUC)

SUBJECT: PEDRO T. TENORIO, GOVERNOR,
COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS (CNMI);
LARRY L. HILLBLOOM, dba
Bank of Saipan (BOS);
[redacted]
ACCOUNT EXECUTIVE,
E. F. HUTTON, INC.;
BARTON HARRY WATSON, III, aka
Barry Watson,
ACCOUNT EXECUTIVE,
E. F. HUTTON, INC.;
[redacted]
BOARD OF DIRECTORS (BOD),
ECONOMIC DEVELOPMENT LOAN FUND (EDLF), CNMI;
JAMES E. HAWKINS;
CORRUPTION OF STATE AND LOCAL
PUBLIC OFFICIALS - LOCAL LEVEL;
OO:HONOLULU

b6
b7C

Re Detroit teletype to Honolulu, 9/5/89; Honolulu teletype to Philadelphia, 9/9/89; and Special Agent (SA) [redacted] (WILLIAMSPORT RESIDENT AGENCY/Philadelphia Division) telcall to SA [redacted] (SAIPAN RESIDENT AGENCY/Honolulu Division), 9/12/89.

This matter was opened and assigned within the Philadelphia Division on October 23, 1989, based upon the receipt of a September 9, 1989, teletype from Honolulu to Philadelphia requesting an outline of the investigation into subject WATSON's activities while incarcerated at the ALLENWOOD FEDERAL PRISON CAMP (52C-PH-57930). Prior to the October 23, 1989, assignment date, SA [redacted] of the WILLIAMSPORT RESIDENT AGENCY (WRA), Philadelphia Division, spoke with the case agent in Saipan (SA [redacted] assigned captioned matter and briefed him fully re WATSON's

b6
b7C

2-Honolulu
1-Philadelphia (194B-HN-121) (WRA)

RP:lag
(3)

Approved: MRE/an Transmitted _____ (Number) _____ (Time)

Per _____

194B-121-54

NOV 27 1989

FBI - HONOLULU

[redacted]

b6
b7C

#5 SSRA

activities. In addition, on September 5, 1989, the Detroit Division, as a result of being assigned a lead in Philadelphia's 52 investigation, sent a teletype to Honolulu setting forth the requested background in Philadelphia's Theft of Government Property investigation.

In view of the fact that the information requested by Honolulu/Saipan RA has been provided in re Detroit teletype, lead is being disregarded and the case therefore considered RUC.